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Legislative Fiscal Report 2003 biennium

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Volume 3 - Agency Budgets

Introduction

House Bill 2

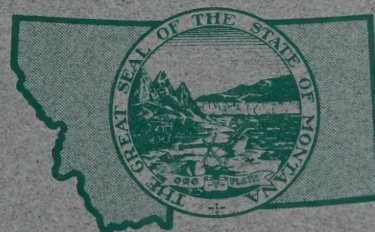
General Government and Transportation

Health and Human Services



June 2001

LEGISLATIVE
FISCAL
DIVISION



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LEGISLATIVE FISCAL REPORT

2003 Biennium

Volume 3 – Agency Budgets

Presented to the Fifty-seventh Legislature

Submitted by

The Legislative Fiscal Division

Helena, Montana

June, 2001

APPROPRIATIONS BY
AGENCY AND PROGRAM
— INTRODUCTION —



APPROPRIATIONS BY AGENCY AND PROGRAM

This summary of the layout and composition of the "Appropriations by Agency and Program" section (Volumes 3 and 4) is designed to provide the reader with a "road map" for reading and utilizing the agency appropriations report that follows.

The report on agency and program appropriations is designed to provide a resource for legislators and members of the public to understand actions taken on agency budgets by the legislature and their impact on agency operations. It does this by detailing the components of the budget, as well as providing a summary of legislative action, and a discussion of other legislation impacting the agency. The agencies are grouped by categories that mirror the groupings used in the appropriations process, and are summarized below.

Agency Subcommittee Groupings

GENERAL GOVERNMENT AND TRANSPORTATION (Section A)

- Legislative Branch
- Consumer Counsel
- Judiciary
- Montana Chiropractic Legal Panel
- Governor's Office
- Secretary of State
- Commissioner of Political Practices
- State Auditor's Office
- Transportation
- Revenue
- Administration
- Appellate Defender Commission

EDUCATION (Section E)

- Office of Public Instruction
- Board of Public Education
- School for the Deaf and Blind
- Montana Arts Council
- State Library Commission
- Montana Historical Society
- Montana University System
- Commissioner of Higher Education
- Six University Units
- Colleges of Technology
- Community Colleges
- Agricultural Experiment Station
- Cooperative Extension Service
- Forestry and Conservation
- Experiment Station
- Bureau of Mines
- Fire Services Training School
- Tribal Colleges Assistance

HEALTH AND HUMAN SERVICES (Section B)

- Public Health & Human Services

NATURAL RESOURCES AND COMMERCE (Section C)

- Fish, Wildlife and Parks
- Environmental Quality
- Livestock
- Natural Resources and Conservation
- Agriculture
- Commerce

LONG-RANGE PLANNING (Section F)

- Long-Range Building Program
- Treasure State Endowment Program
- Oil Overcharge Program
- State Building Energy Conservation
- Resource Indemnity Trust Interest Grant and Loan Program
- Cultural and Aesthetic Grant Program
- Information Technology Bonds

INSTITUTIONS AND PUBLIC SAFETY (Section D)

- Board of Crime Control
- Justice
- Public Service Regulation
- Corrections
- Labor and Industry
- Military Affairs

APPROPRIATIONS BY AGENCY AND PROGRAM

BUDGET PRESENTATIONS

The appropriations for all agency budgets were established and the appropriations report is written using the precepts contained in statute that require that the budget be presented in three tiers:

1. base budget, which is defined as "that level of funding authorized by the previous legislature";
2. present law budget, defined as "that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature..."; and
3. new proposals, which are "requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding..."

The appropriations report is presented in such a way as to show legislative action on each present law adjustment and new proposal made to the base budget to derive the 2003 biennium agency budget.

LEGISLATIVE APPROPRIATIONS

Legislative appropriations are made via two ways: 1) temporary appropriations bills, which are valid for a two-year period; and 2) statutory appropriations, which are appropriations authorized within substantive law and effective as long as the law remains in effect.

The legislature generally uses two vehicles to make temporary appropriations: 1) HB 2; and 2) other appropriations bills, generally referred to as "cat-and-dog" bills. HB 2 is the general appropriations bill, in which over 90 percent of all general fund is appropriated in the 2003 biennium.

Statutory appropriations, while they represent an obligation on revenues and are included in any total expenditure tallies, do not require the passage of a bill to be effective. In addition, while the legislature estimates total statutory appropriations for the purpose of determining total available revenues for other appropriations, actual statutory appropriations will depend upon the underlying conditions controlling the appropriation, such as the level of debt service required, which is a function of not only the total debt undertaken, but factors such as prevailing interest rates.

The tables in the narrative within the "Appropriations by Agency and Program" section contain only HB 2 appropriations. As such:

1. the figures do not include the 2001 biennium pay plan adopted by the legislature in HB 13, as final allocations of funds to agencies and programs to implement the pay plan had not been made by the Office of Budget and Program Planning (OBPP) at the time of writing of this report;
2. the tables do not include other appropriation bills. Consequently, in some instances it may be necessary for clarity to include extra tables to supplement the main narrative tables; and
3. no statutory appropriations that may be made to or administered by an individual agency are included.

For all multiple program agencies, the narrative is divided into two parts: 1) the agency narrative; and 2) the program narrative.

AGENCY NARRATIVE

The agency narrative provides an overview of the appropriations for that agency. Only a summary of legislative action for the agency, any agency-wide language, and a summary of other legislation having a significant fiscal impact on the agency are included at this level. All other discussion occurs within the relevant program narratives.

Each agency narrative begins with a table detailing adjusted actual fiscal 2000 expenditures, and present law adjustments and new proposals added to derive the appropriation for each year of the 2003 biennium. The table is followed by a brief agency description.

APPROPRIATIONS BY AGENCY AND PROGRAM

A paragraph with a short summary of legislative action follows. The paragraph is designed to alert the reader to any broad themes or major initiatives undertaken by the legislature. However, it is not designed to summarize all action.

This section may be followed by a discussion of major issues pertaining to this agency and/or addressed by the legislature under the heading "Agency Narrative". It is also within this section that any action impacting more than one program within the agency might be detailed. For example, a discussion of the highways state special revenue account in the Department of Transportation is included in this section.

A table showing and a discussion detailing differences between legislative action and the Governor Martz Executive Budget (as published) is included.

Finally, any agency-wide language included in HB 2 concludes this section (if applicable). Because the appropriation report details HB 2 appropriations, any other legislation that either appropriates money to or has a fiscal or programmatic impact on the agency is discussed in the section that follows.

PROGRAM NARRATIVE

The agency narrative is followed by narratives detailing each of the agency programs. The program narrative begins with a table showing the adjusted fiscal 2000 base used to derive the budget, followed by total present law adjustments, new proposals, and total appropriations, by fiscal year. A short program description follows.

The program description is followed by a section detailing the program's funding. This section may be followed by a "Program Narrative" section in which either a summary of action or discussion to highlight some aspect of the program budget is made.

This section is followed by the "Present Law Adjustments" discussion. This narrative provides detailed information on all present law adjustments made to the base budget. The writeup begins with a table delineating the major present law adjustments, by fiscal year and funding source (showing both general fund and total funds). The table is divided into two sections:

1. statewide present law adjustments, which include most personal services adjustments (including vacancy savings as initially recommended by Governor Racicot), and adjustments due to fixed costs and inflation/deflation (see discussion below); and
2. other present law adjustments specific to the program.

The table is followed by a narrative, in which each significant adjustment is discussed in more detail.

The "Present Law Adjustments" narrative is followed by the "New Proposals" narrative, which begins with a table listing each of the new proposals included by the legislature, by year and funding source. This table is followed by narrative discussing each new proposal in more detail.

Any language included in HB 2 pertaining to the program concludes the "Program Narratives" section.

STATEWIDE PRESENT LAW ADJUSTMENTS

"Statewide Present Law Adjustments" are those adjustments applied globally to all state agencies. The factors of these adjustments generally affect all agencies and are beyond the control of the individual agencies. Because of the global application of these factors and the consistency of application among agencies, these adjustments are included in the "statewide" section of the present law adjustment table.

PERSONAL SERVICES

Personal services costs were derived by taking a "snapshot" of state employee positions and the factors determining compensation rates at a particular point in time. Personal services were then adjusted to incorporate costs in effect in fiscal 2001 and certain anticipated costs in the 2003 biennium. Four primary factors will cause

APPROPRIATIONS BY AGENCY AND PROGRAM

an increase in costs from fiscal 2000 base expenditures: 1) incorporation of the 2001 biennium pay plan, which was not fully implemented until three months into fiscal 2001; 2) full funding of all positions, minus a three percent vacancy savings rate in the 2001 biennium for most agencies as initially recommended by Governor Racicot; 3) elimination of all termination pay that may have been incurred in fiscal 2000; and 4) incorporation of any upgrades or downgrades that occurred in fiscal 2000. In addition, some present law increases or decreases in FTE made by the legislature may be included in this portion of the table.

As stated, the 2003 biennium pay plan, adopted by the legislature in HB 13, is not included in this or any other table.

FIXED COSTS

Agencies are charged fees (called fixed costs) for a variety of services provided by other state agencies. The legislature includes fixed costs for the following services (the object of expenditure is included in parentheses): Department of Administration (DofA) insurance and bonds (2104), DofA warrant writing fees (2113), DofA payroll service fees (2114), Legislative Auditor audit fees (2122), Statewide Accounting, Budgeting, and Human Resources System (SABHRS) operations bureau (2148), DofA network fees (2174), messenger services (2307), State Motor Pool (2510), DofA rent (2527), capitol complex grounds maintenance (2770), SABHRS debt service costs (2875), and state fund cost allocation plan (2895). Fixed costs total \$70.9 million during the 2003 biennium for all funds (including non-appropriated proprietary funds). Table 1 shows the total fixed cost amounts in the 2003 biennium.

Table 1 Fixed Costs* 2003 Biennium (in Millions)		
Subcommittee/Agency	Function	Total
General Government		
Administration	Insurance & Bonds	\$16.714
	Warrant Writing Fees	1.677
	Payroll Service Fees	0.727
	Data Network Services	18.836
	SABHRS Operating	8.351
	SABHRS Bonds	4.520
	Messenger Services	0.340
Transportation	Rent - Buildings	8.941
	Motor Pool Leases	5.875
Legislative Audit Division	Audit Fees	2.973
Natural Resources and Commerce		
Fish, Wildlife, & Parks	Grounds Maintenance	0.640
Various	State Fund Allocation Plan	1.291
Total		<u>\$70.885</u>

*All funds, including non-budgeted proprietary funds.

Due to the passage of HB 576 (1995 legislature), the agencies that pay these costs receive an appropriation in HB 2 for that purpose. However, the agencies providing the service do not require an appropriation and are not included in HB 2, with the exception of audit fees. Instead, the legislature establishes the rates the providing programs may charge. Each rate is discussed more fully in the relevant program narrative in this section.

Insurance and Bonds

The Risk Management and Tort Defense (RMTD) Division of the DofA collects premiums from state agencies for: 1) administration of the self-insurance program, which provides state agencies with general liability and automobile coverage; and 2) purchase of commercial policies for state agency property, aircraft, and other risk coverage. Costs are allocated to agencies based on actual loss experience and inherent exposure.

Warrant Writing Fees

DofA provides warrant writing and direct deposit services for agency financial transactions. The costs of these services are allocated to agencies based upon actual fiscal 1998, fiscal 1999, and fiscal 2000 (through May 2000) utilization of the various types of financial transactions.

Payroll Service Fees

The State Payroll program in DofA prepares and distributes payroll for all state agencies and operates the state payroll, personnel, and position control (PPP) system. Costs of these services are allocated to agencies based on the number of paychecks issued for each agency each year.

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SABHRS Operations Bureau

In the 2001 biennium, the new Statewide Accounting, Budget, and Human Resources System (SABHRS) was put in place. This unit provides all operational support for the new systems. Costs are allocated based upon the number of fiscal 2000 full-time equivalent employees.

Data Network Services

The Information Services Division (ISD) of DofA charges agencies for the technology network that allows agency personal computers to be attached to the state mainframe and, via the mainframe, to other agency computers. Costs of this service are allocated to agencies based on the projected number of personal computers connected to the network each year, utilizing the fixed monthly rate per computer to determine the overall agency charge.

Messenger Service

The Mail and Distribution program in DofA charges state agencies for inter-agency mail pick-up and delivery services. Costs of these services are allocated to agencies based on the volume of mail generated by, and number of daily deliveries to, each agency.

State Motor Pool Leases

The State Motor Pool of the Department of Transportation charges state agencies for the lease of vehicles. Charges are based upon anticipated hours of usage and anticipated miles traveled.

Rent

The General Services Division (GSD) of DofA charges rent to state agencies for costs of maintaining office and warehouse space in buildings GSD manages in the capitol complex (including utility costs, security, janitorial services, mechanical maintenance, and minor maintenance such as painting, lighting, carpeting, etc.). Warehouse costs are allocated to agencies based on the amount of square footage of warehouse space occupied and a fixed rate per square foot.

Audit Fees

The Legislative Audit Division charges agencies for costs of financial compliance audits. These charges are included in agency budgets as biennial appropriations and allocated according to the estimated number of billable hours for each agency audit.

Capitol Complex Grounds Maintenance

The Parks Division of Fish, Wildlife and Parks charges state agencies for grounds maintenance and snow removal at capitol complex buildings. Costs of these services are allocated based on the square footage of office space occupied by each agency.

SABHRS Bond Costs

SABHRS purchase and implementation costs were funded through general obligation bonds. The costs of repaying those bonds are allocated to agencies as a fixed cost. Costs were allocated based upon the same method used for the SABHRS Operations Unit.

State Fund Cost Allocation Plan (SFCAP)

DofA administers the SFCAP, which charges non-general fund agencies and/or programs for operating costs of state government that cannot easily be identified with particular funding sources. These collections are deposited to the general fund to offset a portion of those programs' costs.

Operating costs of the State Personnel and the Accounting and Management Support Divisions of DofA and the Office of Budget and Program Planning (OBPP) in the Governor's Office are partially recovered through SFCAP

APPROPRIATIONS BY AGENCY AND PROGRAM

collections. Costs are allocated to agencies based on the following: a) State Personnel - the number of FTE appropriated and classified, and the number of negotiated labor contracts; b) Accounting and Management Support - the number of SBAS and cash transactions, and actual expenditures; and c) OBPP - the number of FTE and budgeted fund expenditures.

Inflation/Deflation Factors

HB 2 does not include a general inflation factor for all operating expenses, but instead applies an inflation or deflation factor to fiscal 2000 expenditures for eight specific items.

Table 2 shows inflation and deflation factors and the items to which they are applied. Of the eight items, "electricity" and "natural gas" are the only two purchased outside of state government. The other items or services are purchased from other state agencies and payments for these items or services go into a proprietary account. The legislature sets the rates that other state agencies must pay for items or services, and thus determines the fund levels in proprietary accounts.

Vacancy Savings

Vacancy savings is the difference between the cost of personal services assuming all positions are filled for the entire year, versus the actual cost due to vacancies, turnover, and other factors. The legislature has applied a vacancy savings rate on fully funded personal services to account for this difference. Vacancy savings was applied to most state agencies, with the following exceptions: 1) agencies with fewer than 20 FTE; 2) university system faculty; and 3) elected officials. Vacancy savings was applied in two separate actions.

- Vacancy savings of 3 percent on all non-insurance personal services as recommended by Governor Racicot, which appears in the "Statewide Present Law Adjustments" portion of the present law adjustments table in each program
- A further 1 percent on all non-insurance personal services, plus a 4 percent rate on all insurance as recommended by Governor Martz. This reduction is included in a present law adjustment.

Selected programs had other rates applied. The legislature provided a contingency fund in HB 13 to assist agencies that cannot meet vacancy savings targets. For a further discussion of vacancy savings, see Volume 1 of this report.

Table 2
Inflation and Deflation Factors
2003 Biennium

Account	Item Name	Change From Fiscal 2000	
		Fiscal 2002	Fiscal 2003
<u>Inflation</u>			
2171	Mid-Tier Processing	14.0%	8.0%
2193	Photocopier Pool	11.0%	20.0%
2404	In-state State Motor Pool	18.0%	28.0%
2601	Electricity	7.0%	9.0%
2603	Natural Gas	18.0%	10.0%
<u>Deflation</u>			
2172	Computer Services Charges	-20.0%	-20.0%
2175	System Development DofA	-15.0%	-15.0%
2385	Long Distance Charges DofA	-7.0%	-7.0%

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HOUSE BILL 2





AN ACT APPROPRIATING MONEY TO VARIOUS STATE AGENCIES FOR THE BIENNIUM ENDING JUNE 30, 2003; AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Short title. [This act] may be cited as "The General Appropriations Act of 2001".

Section 2. First level expenditures. The agency and program appropriation tables in the legislative fiscal analyst narrative accompanying this bill, showing first level expenditures and funding for the 2003 biennium, are adopted as legislative intent.

Section 3. Severability. If any section, subsection, sentence, clause, or phrase of [this act] is for any reason held unconstitutional, the decision does not affect the validity of the remaining portions of [this act].

Section 4. Appropriation control. An appropriation item designated as "Biennial" may be spent in either year of the biennium. An appropriation item designated "Restricted" may be used during the biennium only for the purpose designated by its title and as presented to the legislature. An appropriation item designated "One Time Only" or "OTO" may not be included in the present law base for the 2005 biennium. The office of budget and program planning shall establish a separate appropriation on the statewide budgeting and accounting system for any item designated as "Biennial", "Restricted", "One Time Only", or "OTO". The office of budget and program planning shall establish at least one appropriation on the statewide budgeting and accounting system for any appropriation that appears as a separate line item in [this act].

Section 5. Program definition. As used in [this act], "program" has the same meaning as defined in 17-7-102, is consistent with the management and accountability structure established on the statewide budgeting and accounting system, and is identified as a major subdivision of an agency ordinarily numbered with an arabic numeral.

Section 6. Personal services funding -- 2005 biennium. (1) Except as provided in subsection (2), present law and new proposal funding budget requests for the 2005 biennium submitted under Title 17, chapter 7, part 1, by each executive, judicial, and legislative branch agency must include funding of first level personal services separate from funding of other expenditures. The funding of first level personal services by accounting entity or equivalent for each fiscal year must be shown at the fourth reporting level or equivalent in the budget request for the 2005 biennium submitted by October 30 to the legislative fiscal analyst by the office of budget and program planning.

(2) The provisions of subsection (1) do not apply to the Montana university system.

Section 7. Personal services line item. Funds appropriated for personal services or indicated in legislative intent as having been appropriated for personal services may not be expended under any other category except for contract services (expenditure account 62102) or for the early return to work program. Any transfer of funds from personal services to contract services is to be used to directly substitute for use of personal services. Any transfer for either contract services or for the early return to work program must be reported in writing to the legislative finance committee. The provisions of this section do not apply to the Montana university system.

Section 8. Vacancy savings analysis. The legislature is concerned about the use of the concept of vacancy savings in establishing funding for personal services. It is the intent of the legislature that an analysis of vacancy savings be completed prior to the 2003 legislative session to include the consideration of alternative options for funding of personal services at an appropriate level. The legislative finance committee is requested to include this analysis as part of the House Bill No. 613 personal services study if House Bill No. 613 is passed and approved or to include the analysis in the committee work plan for the legislative fiscal division. The legislative finance committee is encouraged to work cooperatively with the governor's budget director in completing this analysis.

Section 9. FTE reduction. The number of FTE has been reduced for all positions in the executive branch (excluding the university system) that have been identified by the legislature as vacant for over 7 months and that are not seasonal, already filled, or newly classified. The reduction is inclusive in the number of FTE shown in the agency and program tables in the legislative fiscal analyst narrative accompanying this bill. The eliminated positions are not to be funded in the present law base budget submitted by the governor for the 2005 biennium. The Legislative Fiscal Division Fiscal Report shall include a table listing the position numbers of the FTE that are eliminated. The number of FTE eliminated by agency is as follows:

Department of Transportation	49.27
Department of Revenue	2.03
Department of Administration	4.84
Department of Public Health and Human Services	9.26
Department of Fish, Wildlife, and Parks	5.02
Department of Environmental Quality	7.75
Department of Livestock	1.00
Department of Natural Resources and Conservation	9.27
Department of Agriculture	1.00
Department of Commerce	2.00
Department of Justice	4.00
Department of Public Service Regulation	0.50

Department of Corrections

0.65

Department of Labor and Industry

7.25

Office of Public Instruction

1.00

Section 10. Goals, benchmarks, and objectives. Each department, the Montana university system, and, when appropriate, each division of each department shall place their respective specific and measurable goals, benchmarks, and objectives for each year of the 2003 biennium on their respective internet websites or, when appropriate, on the state's internet website. On July 1, 2001, and again on July 1, 2002, each department and the Montana university system shall report progress on the appropriate website in meeting the goals, benchmarks, and objectives and what changes, if any, were made to ensure that those goals, benchmarks, and objectives are attained.

Section 11. Report from governor's office on energy management efforts. The governor's office, in cooperation with the commissioner of higher education, shall provide a report to the 58th legislature that details the efforts of state agencies to address energy costs. The report must include but is not limited to energy management activities of the department of environmental quality, the department of administration, and the Montana university system. The report should enumerate data, activities, and recommendations in the following areas:

- (1) projected savings and other benefits from the state building energy conservation program, including building commissioning projects;
- (2) potential changes to the conservation program that would encourage agency participation;
- (3) other energy conservation efforts of state agencies;
- (4) changes needed to encourage state agencies to conserve energy that do not require expending money on energy conservation projects;
- (5) other energy conservation options and funding proposals;
- (6) progress on the utility bill monitoring pilot project and potential benefits coming from the project;
- (7) state government efforts to more efficiently purchase natural gas and electricity, including any plans to include more state facilities under the natural gas term contract and efforts to aggregate state agency electricity demand; and
- (8) other recommendations to the legislature that would improve state government energy management efforts.

Section 12. Accruals analysis -- 2005 biennium. The legislative fiscal division shall include an analysis of accruals for budget base year fiscal year 2002 and shall include a summary table and narrative in the Legislative Fiscal Division 2005 Biennium Budget Analysis that provides a listing by agency of total accruals and the amount that is recommended to be removed from the base budget.

Section 13. Energy costs reserve. A total of \$3.2 million must be set aside in the general fund for contingencies related to cost increases in electricity and natural gas expenditures by state government significantly above the amounts appropriated for this purpose in [this act] or to support litigation to secure affordable electricity or natural gas. The amount is classified as unreserved, designated general fund balance.

Section 14. Totals not appropriations. The totals shown in [this act] are for informational purposes only and are not appropriations.

Section 15. Effective date. [This act] is effective July 1, 2001.

Section 16. Appropriations. The following money is appropriated for the respective fiscal years:

Fiscal 2002					Fiscal 2003					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
A. GENERAL GOVERNMENT AND TRANSPORTATION										
LEGISLATIVE BRANCH (1104)										
1. Legislative Services (20)										
4,255,755	905,353	0	0	0	5,161,108	4,558,287	430,738	0	0	4,989,025
2. Legislative Committees and Activities (21) (Biennial)										
673,484	77,285	0	0	0	750,769	0	0	0	0	0
a. Health Care Access (Biennial/OTO)										
29,403	0	0	0	0	29,403	0	0	0	0	0
b. Northwest River Governance (Biennial/OTO)										
10,000	0	0	0	0	10,000	0	0	0	0	0
3. Fiscal Analysis and Review (27)										
1,041,785	0	0	0	0	1,041,785	1,086,461	0	0	0	1,086,461
a. Legislative Finance Committee Interim Studies (Restricted/Biennial)										
19,000	0	0	0	0	19,000	0	0	0	0	0
4. Audit and Examination (28)										
1,788,171	1,386,879	0	0	0	3,175,050	1,827,681	1,321,922	0	0	3,149,603
Total										
7,817,598	2,369,517	0	0	0	10,187,115	7,472,429	1,752,660	0	0	9,225,089
CONSUMER COUNSEL (1112)										
1. Administration Program (01)										
0	1,006,011	0	0	0	1,006,011	0	1,008,068	0	0	1,008,068
a. Caseload Contingency Fund (Restricted)										
0	200,000	0	0	0	200,000	0	200,000	0	0	200,000

	Fiscal 2002					Fiscal 2003						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
Total												
JUDICIARY (2110)												
1. Supreme Court Operations (01)												
2,955,903	1,150,000	363,725	0	0	0	4,469,628	2,973,254	1,075,000	363,725	0	0	4,411,979
a. Legislative Audit (Restricted/Biennial)												
26,757	0	0	0	0	0	26,757	0	0	0	0	0	0
b. Court-Appointed Special Advocate Program (Biennial)												
82,182	0	100,000	0	0	0	182,182	82,182	0	0	0	0	82,182
2. Boards and Commissions (02)												
244,559	0	0	0	0	0	244,559	274,901	0	0	0	0	274,901
3. Law Library (03)												
772,001	0	0	0	0	0	772,001	776,471	0	0	0	0	776,471
4. District Court Operations (04)												
4,853,964	0	0	0	0	0	4,853,964	4,877,311	0	0	0	0	4,877,311
a. SB 282 -- Asbestos Court												
190,157	0	0	0	0	0	190,157	186,157	0	0	0	0	186,157
b. District Court Judges for Ravalli and Cascade Counties												
0	0	0	0	0	0	0	129,000	0	0	0	0	129,000
c. State Assumption of District Courts (Restricted/Biennial)												
800,500	0	0	0	0	0	800,500	0	0	0	0	0	0
5. Water Courts Supervision (05)												
0	669,691	0	0	0	0	669,691	0	678,959	0	0	0	678,959
6. Clerk of Court (06)												
288,479	0	0	0	0	0	288,479	337,855	0	0	0	0	337,855

		Fiscal 2002				Fiscal 2003					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
a.	Equipment (OTO)										
3,500	0	0	0	0	3,500	0	0	0	0	0	0
Total											
10,218,002	1,819,691	463,725	0	0	12,501,418	9,637,131	1,753,959	363,725	0	0	11,754,815
Item 4a contains general fund money for an asbestos court. If federal funds are received for the purpose of funding a court to manage asbestos cases, the general fund appropriation in item 4a is reduced by a like amount.											
Item 4b is contingent upon passage and approval of House Bill No. 214.											
Item 4c is contingent upon passage and approval of House Bill No. 124.											
MONTANA CHIROPRACTIC LEGAL PANEL (2115)											
1.	Legal Panel Operations (01)										
0	15,000	0	0	0	15,000	0	15,000	0	0	0	15,000
Total											
GOVERNOR'S OFFICE (3101)											
1.	Executive Office Program (01)										
1,234,434	286,634	29,605	0	0	1,550,673	1,237,063	287,333	30,104	0	0	1,554,500
a.	Legislative Audit (Restricted/Biennial)										
24,325	0	0	0	0	24,325	0	0	0	0	0	0
b.	Extradition and Transportation of Prisoners										
177,724	0	0	0	0	177,724	178,936	0	0	0	0	178,936
c.	Consensus Council Matching Funds for Grants (Biennial/OTO)										
75,000	0	0	0	0	75,000	75,000	0	0	0	0	75,000
d.	Flathead Basin Commission -- Flathead Valley Ground Water Quality Assessment (OTO)										

Fiscal 2002												Fiscal 2003				
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total					
e. Office of Economic Development																
850,000	0	0	0	0	850,000	850,000	0	0	0	0	850,000					
2. Mansion Maintenance Program (02)																
78,882	0	0	0	0	78,882	79,035	0	0	0	0	79,035					
3. Air Transportation Program (03)																
175,409	16,000	0	0	0	191,409	176,700	16,000	0	0	0	192,700					
4. Office of Budget and Program Planning (04)																
1,087,033	0	0	0	0	1,087,033	1,081,052	0	0	0	0	1,081,052					
a. Legislative Audit (Restricted/Biennial)																
22,865	0	0	0	0	22,865	0	0	0	0	0	0					
b. Video Projector and Computer (OTO)																
5,600	0	0	0	0	5,600	0	0	0	0	0	0					
c. Energy Cost Contingency Account (Restricted/Biennial/OTO)																
0	868,751	387,533	0	0	1,256,284	0	0	0	0	0	0					
5. Indian Affairs (05)																
112,204	0	0	0	0	112,204	112,583	0	0	0	0	112,583					
a. Carryover Funds (Restricted)																
0	150,000	2,000,000	0	0	2,150,000	0	0	0	0	0	0					
6. Lieutenant Governor (12)																
223,314	0	0	0	0	223,314	224,893	0	0	0	0	224,893					
7. Citizens' Advocate Office (16)																
65,274	0	15,000	0	0	80,274	65,483	0	15,000	0	0	80,483					
8. Mental Disabilities Board of Visitors (20)																
200,579	7,200	0	0	0	207,779	197,572	7,200	0	0	0	204,772					

		<u>Fiscal 2002</u>			<u>Fiscal 2003</u>			
	<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Proprietary</u>	<u>Other</u>	<u>Total</u>	<u>General Fund</u>	<u>State Special Revenue</u>
							<u>Federal Special Revenue</u>	<u>Proprietary</u>
								<u>Other</u>
								<u>Total</u>

Total

4,332,643 1,328,585 2,532,130 0 0 8,193,358 4,278,317 310,533 45,104 0 0 4,633,954

General fund money up to \$51,000 for the 2003 biennium in item 1b not used for the extradition and transportation of prisoners may be used to purchase vans for county sheriffs and peace officers to transport prisoners.

The legislature recognizes that the cost for extradition and transportation of prisoners is dependent upon factors beyond the control of the agency and may exceed the appropriation provided. In that event, the agency will need to request a supplemental appropriation from the 2003 legislature to provide required extradition and transportation of prisoners.

Item 1b and the accompanying language are contingent upon passage and approval of Senate Bill No. 328.

If Senate Bill No. 445 is not passed and approved, the appropriation in item 1e is void and the appropriation in item 4c is increased by \$1,700,000 in general fund money in fiscal year 2002.

Item 4c is a contingency biennial account to be managed by the office of budget and program planning to respond to contingencies related to cost increases in electricity and natural gas expenditures by state government significantly above the amounts appropriated in [this act]. Requests for use of this account must be analyzed by the office of budget and program planning and approved by the governor. Distribution of this money to state agencies must be proportional to the overall needs of state agencies relative to the total funds available. Approved expenditures must be reported to the legislative finance committee.

Item 5a is contingent upon passage and approval of House Bill No. 21. Funds in item 5a for the 2003 biennium are limited to the unspent balance of the 2001 appropriation of up to \$150,000 in state special revenue and \$2 million in federal special revenue.

COMMISSIONER OF POLITICAL PRACTICES (3202)

1. Administration (01)

345,738 0 0 0 0 345,738 346,987 0 0 0 0 346,987

a. Legislative Audit (Restricted/Biennial)

4,865 0 0 0 0 4,865 0 0 0 0 0 0

Total

350,603 0 0 0 0 350,603 346,987 0 0 0 0 346,987

	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
Item 1 includes a reduction in general fund money of \$571 in fiscal year 2002 and \$571 in fiscal year 2003. This reduction is the equivalent of a 25% reduction in fiscal year 2000 base budget travel expenses. OFFICE OF THE STATE AUDITOR (3401)												
1.	Central Management (01)											
	0	527,253	0	0	0	527,253	0	525,276	0	0	0	525,276
a.	Legislative Audit (Restricted/Biennial)											
	0	4,368	0	0	0	4,368	0	0	0	0	0	0
2.	Insurance Program (03)											
	0	2,404,683	0	0	0	2,404,683	0	2,418,935	0	0	0	2,418,935
a.	Legislative Audit (Restricted/Biennial)											
	0	19,219	0	0	0	19,219	0	0	0	0	0	0
b.	Contract Examinations (Restricted)											
	0	107,234	0	0	0	107,234	0	52,234	0	0	0	52,234
c.	SB 373 -- Licensing Captive Insurers (Restricted)											
	0	20,000	0	0	0	20,000	0	20,000	0	0	0	20,000
d.	HB 542 -- Surplus Lines Fees (Restricted)											
	0	52,115	0	0	0	52,115	0	49,615	0	0	0	49,615
3.	Securities (04)											
	334,571	190,212	0	0	0	524,783	336,923	190,269	0	0	0	527,192
a.	Legislative Audit (Restricted/Biennial)											
	3,689	1,844	0	0	0	5,533	0	0	0	0	0	0
b.	Contract Examinations (Restricted)											
	0	12,000	0	0	0	12,000	0	12,000	0	0	0	12,000

Total

Fiscal 2002				Fiscal 2003							
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total

338,260	3,338,928	0	0	0	3,677,188	336,923	3,268,329	0	0	0	3,605,252
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Item 2c is contingent upon passage and approval of Senate Bill No. 373.

Item 3 includes a reduction of \$9,149 in fiscal year 2002 and \$9,181 in fiscal year 2003 of general fund money. The office may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

Item 3 includes a reduction in general fund money of \$2,890 in fiscal year 2002 and \$2,890 in fiscal year 2003. This reduction is the equivalent of a 10% reduction in fiscal year 2000 base budget travel expenses. The office may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

DEPARTMENT OF TRANSPORTATION (5401)

1. General Operations Program (01)

0	16,468,534	1,249,771	0	0	17,718,305	0	16,536,844	1,183,602	0	0	17,720,446
a.	Legislative Audit (Restricted/Biennial)										
0	109,461	0	0	0	109,461	0	0	0	0	0	0
b.	General Operations One-Time Costs (OTO)										
0	457,500	0	0	0	457,500	0	200,000	0	0	0	200,000

2. Construction Program (02) (Biennial)

0	71,531,203	296,588,388	0	0	368,119,591	0	74,292,575	305,871,704	0	0	380,164,279
a.	Construction Program One-Time Costs (OTO)										
0	53,000	120,000	0	0	173,000	0	0	0	0	0	0

3. Maintenance Program (03) (Biennial)

0	75,870,412	5,090,609	0	0	80,961,021	0	76,230,890	5,090,609	0	0	81,321,499
a.	Maintenance Program One-Time Costs (OTO)										
0	167,700	0	0	0	167,700	0	0	0	0	0	0

4. Motor Carrier Services Division (22)

0	4,971,167	0	0	0	4,971,167	0	4,994,990	0	0	0	4,994,990
a.	Mobile Officer Vehicle Enforcement Computers (OTO)										

	Fiscal 2002				Fiscal 2003			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Other	Total			Other
5. Aeronautics Program (40)	0	6,200	0	0	6,200	0	0	0
a. Airport Development Grants (Biennial)	0	752,611	112,500	0	865,111	0	767,054	85,500
b. Airport Pavement Preservation Grants (Biennial)	0	750,000	0	0	750,000	0	0	0
c. Federal Airport Improvement Grants (Biennial)	0	250,000	0	0	250,000	0	0	0
a. Software and Field Data Collection (Biennial/OTO)	0	16,667	300,000	0	316,667	0	0	0
6. Transportation Planning Division (50)	0	2,121,160	10,719,595	0	12,840,755	0	1,934,325	13,168,607
a. Statewide Truck Activity Reporting System (OTO)	0	60,000	240,000	0	300,000	0	0	0
b. Transportation of Seniors and Persons With Disabilities	0	173,212	573,068	0	746,280	0	115,323	381,544
c. Transportation of Seniors and Persons With Disabilities	0	171,093	0	0	171,093	0	347,318	0
Total	0	173,929,920	314,993,931	0	488,923,851	0	175,419,319	325,781,566

Total

0 173,929,920 314,993,931 0 0 488,923,851 0 175,419,319 325,781,566 0 0 501,200,885

The department may adjust appropriations in the construction, maintenance, and transportation planning programs between state special and federal special revenue fund types if the total state special revenue authority for these programs is not increased by more than 10% of the total appropriations established by the legislature for each program. All transfers between fund types must be fully explained and justified by budget documents submitted to the office of budget and program planning, and all fund transfers of more than \$1 million in any 30-day period must be communicated to the legislative finance committee in a written report.

All federal special revenue appropriations in the department are biennial.

Fiscal 2002

Fiscal 2003

General Fund	State Special Revenue	Fiscal 2002			Total	Other	Fiscal 2003			Total
		General Fund	State Special Revenue	Propri- etary			General Fund	State Special Revenue	Propri- etary	

Item 2 includes a total of \$63,690 for the 2003 biennium for the Montana natural resources information system. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated.

All appropriations in the construction program are biennial.

All appropriations in the maintenance program are biennial.

Item 5 includes \$4,000 of state special revenue in fiscal year 2002 and \$4,000 of state special revenue in fiscal year 2003 that are contingent upon passage and approval of House Bill No. 430.

Item 5a includes \$300,000 of state special revenue in fiscal year 2002 that is contingent upon passage and approval of Senate Bill No. 280.

All appropriations in the transportation planning program are biennial.

Item 6c is contingent upon passage and approval of Senate Bill No. 448.

DEPARTMENT OF REVENUE (5801)

1. Director's Office (01)

2,315,882	300	800	30,068	0	2,347,050	2,326,931	0	0	30,643	0	2,357,574
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a. Legislative Audit (Restricted/Biennial)

131,353	0	0	0	0	131,353	0	0	0	0	0	0
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b. SB 512 -- Impose Electrical Energy Excess Revenue Tax (Restricted)

123,357	0	0	0	0	123,357	124,856	0	0	0	0	124,856
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c. SB 512 -- Legal and Litigation Expenses (Restricted/Biennial)

150,000	0	0	0	0	150,000	0	0	0	0	0	0
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d. SB 512 -- Personal Computers and Computer Equipment(Restricted/OTO)

19,000	0	0	0	0	19,000	0	0	0	0	0	0
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2. Information Technology (02)

2,154,374	0	188,941	70,320	0	2,413,635	2,261,282	0	194,652	71,666	0	2,527,600
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3. Resource Management (05)

1,498,751	0	0	1,085,594	0	2,584,345	1,526,552	0	0	1,090,060	0	2,616,612
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4. Customer Service and Information Practices (06)

	Fiscal 2002					Fiscal 2003					
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
3,715,801	228,844	1,032,135	749,075	0	5,725,855	3,737,041	232,754	1,042,210	739,891	0	5,751,896
a. Unclaimed Property Auditor (OTO)	0	43,931	0	0	43,931	0	44,098	0	0	0	44,098
5. Compliance Valuation and Resolution (08)											
17,710,137	186,096	1,079,011	0	0	18,975,244	17,790,775	186,433	1,130,535	0	0	19,107,743
a. Salary Upgrades for Auditors (Biennial)	208,144	0	0	0	208,144	0	0	0	0	0	0
b. SB 512 -- Impose Electrical Energy Excess Revenue Tax (Restricted)	193,720	0	0	0	193,720	195,845	0	0	0	0	195,845
c. SB 512 -- Personal Computers (Restricted/OTO)	6,000	0	0	0	6,000	0	0	0	0	0	0

Liquor division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profit and taxes to appropriate accounts are appropriated to the department in amounts not to exceed \$64,200,950 in fiscal year 2002 and \$67,857,880 in fiscal year 2003.

Items 1b, 1c, 1d, 5b, and 5c are contingent upon passage and approval of Senate Bill No. 512.

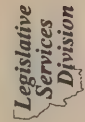
Item 4 includes a reduction of \$558,000 in general fund money in fiscal year 2002 and \$558,000 in fiscal year 2003 and an increase in proprietary funds of \$514,100 in fiscal year 2002 and \$514,100 in fiscal year 2003. These reductions and increases are contingent upon passage and approval of House Bill No. 399.

Item 5 includes a reduction in general fund money of \$15,066 in fiscal year 2002 and \$15,066 in fiscal year 2003. This reduction is the equivalent of a 3% reduction in fiscal year 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item 5 includes reductions of \$54,934,392 of general fund money in fiscal year 2002 and of \$54,934,392 of general fund money in fiscal year 2003 that are contingent upon passage and approval of House Bill No. 124.

The department shall provide status reports on the POINTS system to the revenue and taxation interim committee at each regularly scheduled committee meeting. The status reports must include work plan benchmark updates, progress on fixing mission-critical and nonmission-critical defects, and the status of implementing and operating all phases of the

Fiscal 2002				Fiscal 2003			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
			Other	Total			Other
							Total
system.							
DEPARTMENT OF ADMINISTRATION (6101)							
1.	Accounting and Management Support Program (03)						
1,070,018	5,057	64,315	41,053	0	1,180,443	1,076,779	5,057
	a. Legislative Audit (Restricted/Biennial)						
53,571	0	0	0	53,571	0	0	0
	b. Actuarial Study -- Police Retirement Fund (Restricted/Biennial)						
2,450	0	0	0	2,450	0	0	0
	c. Accounting Bureau Contracted Services (Biennial/OTO)						
100,000	0	0	0	100,000	0	0	0
	d. Special Purpose District Reports						
0	0	0	0	0	28,446	0	28,446
	e. Local Government Services Division						
422,204	0	0	0	422,204	423,300	0	423,300
	f. Consumer Affairs Division						
266,248	74,505	0	0	340,753	266,117	74,503	340,620
	g. Telemarketing/Lemon Law Programs Fund Switch (Restricted/OTO)						
56,354	0	0	0	56,354	56,354	0	56,354
	2. Architecture and Engineering Program (04)						
0	1,137,916	0	0	1,137,916	0	1,147,932	1,147,932
	a. Legislative Audit (Restricted/Biennial)						
0	1,635	0	0	1,635	0	0	0
	3. Procurement and Printing Division (06)						
515,947	0	0	0	515,947	518,826	0	518,826
	4. Information Services Division (07)						



	Fiscal 2002				Fiscal 2003					
	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Total
127,593	0	800,000	0	0	927,593	126,588	0	0	0	126,588
a. Legislative Audit (Restricted/Biennial)										
794	0	0	0	0	794	0	0	0	0	0
5. General Services Program (08)										
394,409	0	0	0	0	933,055	401,439	0	0	933,055	1,334,494
6. Banking and Financial Division (14)										
0	1,485,063	0	0	0	1,485,063	0	1,490,815	0	0	1,490,815
a. Legislative Audit (Restricted/Biennial)										
0	2,821	0	0	0	2,821	0	0	0	0	0
7. Montana State Lottery (15)										
0	0	0	8,574,656	0	8,574,656	0	0	0	8,904,330	8,904,330
a. Legislative Audit (Restricted/Biennial)										
0	0	0	8,265	0	8,265	0	0	0	0	0
b. Online Terminals (OTO)										
0	0	0	345,000	0	345,000	0	0	0	0	0
8. State Personnel Division (23)										
1,092,389	26,600	0	0	0	1,118,989	1,095,102	27,400	0	0	1,122,502
9. State Tax Appeal Board (37)										
273,523	0	0	0	0	273,523	275,231	0	0	0	275,231
Total										

For the data network rate, all increases over a rate of \$64.59 are one time only. The executive must use \$64.59 as the base level and justify all increases requested for the 2005 biennium over this level.

Item 1 includes a reduction in general fund money of \$4,122 in fiscal year 2002 and \$4,122 in fiscal year 2003. This reduction is the equivalent of an 8% reduction in

<u>Fiscal 2002</u>				<u>Fiscal 2003</u>			
State		Federal		State		Federal	
General	Special	General	Special	General	Special	General	Special
Fund	Revenue	Fund	Revenue	Fund	Revenue	Fund	Revenue

fiscal year 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Items 1e, 1f, 1g, 6, 6a, 7, 7a, and 7b and \$1,519 of general fund money in fiscal year 2002 in item 1a are contingent upon passage and approval of Senate Bill No. 445.

The department is appropriated in each of the fiscal years 2002 and 2003 up to \$500,000 of state special revenue that is deposited in the account established for the purpose of processing charter applications and for the chartering, examination, and regulation of each foreign capital depository that obtains a charter under the provisions of 32-8-205.

The department is appropriated up to \$56,354 in state special revenue authority in each year of the biennium for operations within the telemarketing and lemon law programs and shall seek and use state special revenue received from consumer affairs' settlements as authorized by a district court order to offset and minimize use of the general fund money within the telemarketing and lemon law programs, as provided in 17-2-108.

The department shall report to the 2003 legislature on the status and results related to the purchase and placement of additional online terminals funded in item 7b.

Item 8 includes a reduction of \$21,490 in fiscal year 2002 and \$21,564 in fiscal year 2003 of general fund money. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

APPELLATE DEFENDER COMMISSION (6102)

1. Appellate Defender (01)

0	177,534	0	0	0	177,534	178,901	0	0	0	178,901
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Total

0	177,534	0	0	0	177,534	178,901	0	0	0	178,901
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Item 1 includes an increase of \$178,901 of general fund money in fiscal year 2003 and a reduction of \$178,901 of state special revenue in fiscal year 2003 that are contingent upon passage and approval of House Bill No. 124.

TOTAL SECTION A

55,659,125	187,377,954	321,154,988	10,904,031	933,055	576,029,153	54,482,152	186,936,860	328,620,243	10,877,814	933,055	581,850,124
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Fiscal 2002 Fiscal 2003

General Fund	State Special Revenue	Fiscal 2002			General Fund	State Special Revenue	Fiscal 2003		
		Other	Total	Proprietary			Other	Total	Proprietary
0	0	395,950	0	0	0	0	0	0	0
I. FAIM II R -- Low-Income Housing (Biennial)									
0	0	3,464,561	0	0	0	0	0	0	0
m. FAIM II R -- Transportation (Biennial)									
0	0	791,899	0	0	0	0	0	0	0
n. FAIM II R -- Additional Month Grant for Working Families (Biennial)									
0	0	1,228,979	0	0	0	0	1,204,570	0	1,204,570
o. FAIM II R -- Emergency Supportive Services for Working Families (Biennial)									
0	0	1,025,510	0	0	0	0	274,209	0	274,209
p. FAIM II R -- School Breakfast Program (Biennial)									
0	0	178,178	0	0	0	0	0	0	0
q. FAIM II R -- Individual Development Accounts (Biennial)									
0	0	138,742	0	0	0	0	135,986	0	135,986
r. FAIM II R -- Children as Scholars (Head Start) (Biennial)									
0	0	1,979,874	0	0	0	0	0	0	0
s. FAIM II R -- TEAMS Reprourement/Enhancements (Biennial)									
0	0	989,875	0	0	0	0	485,107	0	485,107
t. High-Wage, High-Skill Training (Restricted/Biennial)									
0	0	494,937	0	0	0	0	485,108	0	485,108
u. Adult Basic Education (Restricted)									
0	0	195,000	0	0	0	0	195,000	0	195,000
v. Children's Trust Fund (Biennial)									
0	0	250,000	0	0	0	0	250,000	0	250,000
2. Child and Family Services Division (03)									
20,339,215	1,269,954	23,954,881	0	0	21,541,204	1,336,670	24,109,036	0	46,986,910



Fiscal 2002											Fiscal 2003			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total			
a.	Computer Hardware (OTO)													
49,800	0	33,200	0	0	83,000	123,504	0	82,336	0	0	205,840			
b.	Community Collaboration Project and FTE (Biennial/OTO)													
25,000	0	3,025,000	0	0	3,050,000	25,000	0	25,000	0	0	50,000			
c.	Big Brothers Big Sisters (OTO)													
25,000	0	0	0	0	25,000	25,000	0	0	0	0	25,000			
d.	In-Home Services (Restricted)													
100,000	0	0	0	0	100,000	0	0	0	0	0	0			
3.	Director's Office (04)													
1,134,318	1,198,077	1,726,992	0	0	4,059,387	1,141,783	1,259,907	1,732,421	0	0	4,134,111			
a.	Deputy Director (Restricted)													
37,000	15,750	47,250	0	0	100,000	37,000	15,750	47,250	0	0	100,000			
4.	Child Support Enforcement Division (05)													
225,000	2,798,222	6,242,600	0	0	9,265,822	225,000	2,812,929	6,271,998	0	0	9,309,927			
a.	Voice Response Unit Enhancements (OTO)													
0	10,200	19,800	0	0	30,000	0	0	0	0	0	0			
b.	SEARCHS -- Level of Effort Increase (Biennial/OTO)													
0	209,104	405,908	0	0	615,012	0	0	0	0	0	0			
c.	Financial Institutions Data Match (Restricted)													
0	51,000	99,000	0	0	150,000	0	51,000	99,000	0	0	150,000			
d.	Cost Study -- Raising a Child in Montana (Restricted/OTO)													
0	8,621	113,793	0	0	122,414	0	0	0	0	0	0			
5.	Health Policy and Services Division (07)													
63,683,731	7,188,743	233,165,988	0	0	304,038,462	68,017,693	7,780,885	248,236,170	0	0	324,034,748			
a.	Assistance to Montanans Exposed to Asbestos (Restricted/OTO)													

Fiscal 2002 Fiscal 2003

	<u>Fiscal 2002</u>			<u>Fiscal 2003</u>		
	<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Proprietary</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>
						<u>Other</u>
						<u>Total</u>
18,500	0	0	0	0	0	0
b. Medicaid Provider Rate Increases (RBRVS)						18,500
252,524	0	678,614	0	0	1,371,305	0
c. Cardiovascular Grant						1,877,986
0	0	260,902	0	0	237,768	0
d. Fiber Optic Rural TeleHealth Equipment (Restricted/Biennial/OTO)						237,768
200,000	0	0	0	0	0	0
e. HIV/AIDS Treatment and Coverage (Restricted/Biennial)						
84,010	0	0	0	0	0	0
6. Quality Assurance Division (08)						
2,006,639	219,622	4,957,197	0	0	4,980,608	0
a. Contracted Licensure Services (OTO)						7,216,005
58,737	0	0	0	0	0	0
7. Operations and Technology Division (09)						58,862
11,430,755	1,530,252	15,881,424	0	0	16,329,740	0
a. Legislative Audit (Restricted/Biennial)						29,643,772
154,465	37,800	151,200	0	0	0	0
8. Disability Services Division (10)						
42,100,426	97,354	53,417,647	0	0	53,722,089	0
a. Developmental Disabilities Program Federal Funds (Biennial)						96,033,499
0	0	4,000,000	0	0	0	0
b. Movement From Institutions to Community Settings (OTO)						
1,400,277	0	0	0	0	0	0
c. Direct Care Worker Wage Parity (Restricted)						1,400,224
1,551,313	0	1,496,488	0	0	2,364,721	0
						4,810,021

		Fiscal 2002				Fiscal 2003							
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
9.	Senior and Long-Term Care Division (22)												
	44,035,794	6,265,504	135,666,053	0	0	185,967,351	45,575,083	7,142,437	142,244,588	0	0	0	194,962,108
a.	One-Time Payments to Nursing Homes for Medicaid Services												
	0	1,350,000	3,627,876	0	0	4,977,876	0	1,625,000	4,397,980	0	0	0	6,022,980
b.	Nursing Home and Community Services Improvements (OTO)												
	0	162,720	437,280	0	0	600,000	0	161,880	438,120	0	0	0	600,000
c.	Personal Assistant Wage Increases												
	401,931	0	1,080,114	0	0	1,482,045	638,676	0	1,728,544	0	0	0	2,367,220
d.	Additional Federal Special Revenue												
	0	0	1,000,000	0	0	1,000,000	0	0	1,000,000	0	0	0	1,000,000
10.	Addictive and Mental Disorders Division (33)												
	49,801,020	6,152,612	70,643,821	0	0	126,597,453	51,713,723	6,590,808	75,394,948	0	0	0	133,699,479
a.	Community Incentive/State Hospital (Restricted/Biennial/OTO)												
	1,196,553	0	0	0	0	1,196,553	1,196,553	0	0	0	0	0	1,196,553
b.	Basic Mental Health Services for Children (Restricted)												
	647,952	0	0	0	0	647,952	671,928	0	0	0	0	0	671,928
c.	Regional Mental Health System Planning (Restricted/Biennial)												
	208,531	0	278,041	0	0	486,572	208,530	0	278,040	0	0	0	486,570
d.	Olmstead Planning/Implementation (Restricted)												
	0	0	20,000	0	0	20,000	0	0	20,000	0	0	0	20,000
e.	Intergovernmental Transfer -- Mental Health Services												
	0	106,155	285,273	0	0	391,428	0	108,564	293,824	0	0	0	402,388
f.	Intergovernmental Transfer -- Chemical Dependency (Biennial)												
	0	250,000	671,829	0	0	921,829	0	257,000	695,557	0	0	0	952,557
g.	Law Enforcement/Judicial Training -- Mental Illness (Restricted)												

Fiscal 2002				Fiscal 2003							
General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total

42,219	0	25,332	0	0	67,551	42,324	0	25,395	0	0	67,719
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h. Federal Community Incentive Grant -- Chemical Dependency (OTO)

0	0	3,594,483	0	0	3,594,483	0	0	3,594,483	0	0	3,594,483
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i. SB 107 -- Teleconferencing During Mental Health Proceedings

7,800	0	0	0	0	7,800	8,190	0	0	0	0	8,190
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Total

262,958,769	28,922,817	723,837,878	0	0	1,015,719,464	273,103,341	31,562,758	733,544,386	0	0	1,038,210,485
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The department shall provide the following information by program to the children, families, health, and human services interim committee and to the legislative finance committee by August 1, 2002:

(1) rates paid by each program for comparable services; and

(2) entry level and average hourly wage and benefit rates paid by community providers for direct care workers and group home employees.

The information must specify how the data was gathered and whether and how the department verified the data and must be presented to allow evaluation among comparable services and jobs.

Funds appropriated for grants or benefits and claims or indicated in legislative intent as having been appropriated for grants or benefits and claims may be expended only as grants or benefits and claims. The office of budget and program planning may authorize a transfer of appropriation authority from grants or benefits and claims to another category of expenditure under one of the following conditions:

(1) the department certifies to the office of budget and program planning that federal law or regulations require that funds appropriated in grants or benefits and claims must be expended in a different category of expenditure; or

(2) the department certifies to the office of budget and program planning that there will be savings if funds appropriated in grants or benefits and claims are transferred and expended in another category of expenditure.

The office of budget and program planning shall report to the legislative finance committee on transfers approved subject to these two conditions.

The department shall report to the legislative finance committee and the children, families, health, and human services interim committee at every meeting of each committee:

(1) the actual amount of federal temporary assistance for needy families (TANF) block grant funds expended in the current biennium;

(2) the actual amount of TANF block grant maintenance of effort funds that have been expended in the current biennium;

	<u>Fiscal 2002</u>			<u>Fiscal 2003</u>		
	Federal			Federal		
	State	Special	Proprietary	State	Special	Proprietary
	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue
	General Fund	Other	Total	General Fund	Other	Total
Operating revenues:	\$16,789,000	\$1,000,000	\$17,789,000	\$16,789,000	\$1,000,000	\$17,789,000
Nonoperating revenues:	\$1,000,000	\$0	\$1,000,000	\$1,000,000	\$0	\$1,000,000
Revenues from capital assets:	\$0	\$0	\$0	\$0	\$0	\$0
Transfers-in:	\$0	\$0	\$0	\$0	\$0	\$0
Grants:	\$0	\$0	\$0	\$0	\$0	\$0
Interfund transfers-out:	\$0	\$0	\$0	\$0	\$0	\$0
Excess of revenues over expenses:	\$17,789,000	\$1,000,000	\$18,789,000	\$17,789,000	\$1,000,000	\$18,789,000
Capital expenditures:	\$0	\$0	\$0	\$0	\$0	\$0
Debt service:	\$0	\$0	\$0	\$0	\$0	\$0
Transfers-out:	\$0	\$0	\$0	\$0	\$0	\$0
Change in fund balance:	\$17,789,000	\$1,000,000	\$18,789,000	\$17,789,000	\$1,000,000	\$18,789,000
Total available for general operations:	\$17,789,000	\$1,000,000	\$18,789,000	\$17,789,000	\$1,000,000	\$18,789,000
Less: Other charges:	\$0	\$0	\$0	\$0	\$0	\$0
Net change in fund balance:	\$17,789,000	\$1,000,000	\$18,789,000	\$17,789,000	\$1,000,000	\$18,789,000

(3) the balance of previous fiscal years' TANF block grant funds that remain unexpended; and

(4) the balance of the current fiscal year federal TANF block grant funds that remain unexpended.

The department shall use unexpended previous year federal TANF block grant funds to provide benefits and services that meet the federal definition of assistance. Current year federal TANF block grant funds must be used to fund benefits and services that meet the federal definition of assistance only after all available previous years' federal TANF block grant funds have been expended.

The office of budget and program planning may proportionally reduce the funding in items 1a through 1t and item 1v if any of the following conditions exist:

- (1) the department certifies to the office of budget and program planning that the balance of unexpended TANF funds on June 30, 2001, is less than \$30 million;
- (2) actual or projected cash assistance expenditures are greater than \$24,067,328 in fiscal year 2002 or \$23,763,854 in fiscal year 2003;
- (3) the amount of TANF grant funds awarded to Montana by congress is reduced below the level anticipated by the legislature; or
- (4) the department certifies to the office of budget and program planning that the reduction is necessary in order to maintain public assistance programs that were supported by federal TANF and state TANF maintenance of effort funds in fiscal year 2001.

If the TANF block grant funds report given at the March 2002 legislative finance committee meeting indicates that there are FAIM phase II R dollars unexpended and no plan is in place to expend the remaining dollars, there is appropriated up to \$1.5 million of these unexpended funds for the summer youth employment program in the 2003 biennium.

Item 1 includes increases of \$3,852,988 of general fund money in fiscal year 2002 and of \$4,006,121 of general fund money in fiscal year 2003 and reductions of \$3,356,606 of state special revenue in fiscal year 2002 and of \$3,376,187 of state special revenue in fiscal year 2003 that are contingent upon passage and approval of House Bill No. 124.

Funds in item 1 include \$68,422 in fiscal year 2002 and \$69,606 in fiscal year 2003 that the department shall use to reimburse the Montana department of corrections, Montana correctional enterprises, for costs incurred to operate the Montana food bank network canning and wild game processing facility.

Funds included in items 1b and 1e may be used only to fund tribal projects and to provide nontraditional job training to an enrolled tribal member of a federally recognized tribe whose reservation lies within the exterior boundaries of the Montana reservations and to the Little Shell band of Chippewa if the Little Shell band of Chippewa becomes a federally recognized tribe.

Funds in item 1b may be used to fund head start services for tribal members. Tribal members may not access services supported by funds in item 1r because funding for tribal head start projects has been included in item 1b.

The department shall transfer funds in item 11 to the Montana board of housing revolving loan account to fund eligible activities under the federal TANF block grant. The timing and amount of the transfer must comply with federal regulations governing the expenditure and transfer of TANF funds.

[illegible]

Funds included in item 1t may be used only to develop programs for high-wage and high-skill training for single parents, persons who are economically disadvantaged, and displaced homemakers.

Funds included in item 1u may be used only to provide adult basic education services.

The department shall transfer funds in item 1 v to the children's trust fund to fund eligible child abuse and neglect prevention activities.

Projects funded in items 1a, 1d, 1f, 1g, 1h, 1i, 1j, 1k, 1l, 1m, 1n, 1o, 1p, 1q, 1r, 1s, 1t, and 1u are considered approved special projects related to welfare reform for the purpose of implementation of 53-4-210. Prior to the expenditure of these funds, the department shall provide notice both verbally and in writing to tribes that have implemented a federally approved tribal family assistance plan that funding for special projects is available. Tribes that operate a tribal family assistance plan may receive the funds in these items, and the department may award all or a portion of these funds to tribes that operate tribal family assistance plans as allowable within federal regulations.

Item 2 includes increases of \$2,206,194 of general fund money in fiscal year 2002 and of \$2,241,893 of general fund money in fiscal year 2003 and reductions of \$2,172,078 of state special revenue in fiscal year 2002 and of \$2,135,314 of state special revenue in fiscal year 2003 that are contingent upon passage and approval of House Bill No. 124.

Funds in item 2d may be used only to support the costs of in-home services for families in the child welfare system. The department estimates that 25 families or 50 children will be served with this funding and that 80% of the families served will not enter the foster care system. If the department achieves this goal, the estimated increase in the foster care caseload will decrease from 3% to 2%. Any savings realized because of a lower than anticipated caseload increase may be used by the department to expand the provision of in-home services or other services within the child welfare system.

Item 3 includes \$1,482,291 in fiscal year 2002 and \$1,482,748 in fiscal year 2003 for the tobacco prevention and control program. It is the intent of the legislature that the interagency coordinating council on prevention administer the tobacco control and prevention program.

Item 3 includes increases of \$93,333 of general fund money in fiscal year 2002 and of \$96,915 of general fund money in fiscal year 2003 and reductions of \$90,463 of state special revenue in fiscal year 2002 and of \$91,028 of state special revenue in fiscal year 2003 that are contingent upon passage and approval of House Bill No. 124.

Funds in item 3a may be used only to fund a deputy director position within the department.

Funds included in item 4c may be used only to support costs for the completion of a financial institution data match.

Funds included in item 4d may be used only to support the costs incurred to complete a study of raising a child in Montana.

Items 5, 9, and 10 include appropriations of state special revenue for provider rate increases funded from the interest income on the tobacco settlement trust fund provided for in Article XII, section 4, of the Montana constitution. If the interest income on the tobacco settlement trust fund provided for in Article XII, section 4, of the Montana constitution is insufficient to fully fund the state special revenue appropriations in items 5, 9, and 10, the legislature intends that the department find alternative funding sources to fully fund the

Fiscal 2002				Fiscal 2003			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Total	Other	Total	Other

provider rate increases. Alternative sources may include but are not limited to enhanced medicaid intergovernmental transfer programs and transfers of general fund money from other appropriations.

Item 5 includes increases of \$6,717,000 of general fund money in fiscal year 2002 and of \$6,862,000 of general fund money in fiscal year 2003 and reductions of \$6,717,000 of state special revenue in fiscal year 2002 and of \$6,862,000 of state special revenue in fiscal year 2003 that are contingent upon passage and approval of House Bill No. 124.

The health policy and services division is authorized to pursue up to \$1.5 million in federal special revenue each year of the biennium in item 5 to enhance or improve division services or programs to public schools. This additional federal special revenue may be expended on services by the division as long as those actions do not require or commit the state to additional general fund expenditures beyond the amount appropriated by the legislature to the division.

Item 5a must be spent on services to assist Montanans who have been exposed to asbestos. Funds in item 5a may not be expended for any other purpose.

Implementation of the resource-based relative value scale (RBRVS) provider rate system must continue to be phased in over the 2003 biennium. The department shall use funds in item 5b to raise rates paid to those current procedural terminology (CPT) codes paid the lowest percentage of medicare reimbursement that were restricted to 145% of the level of the state fiscal year 1997 reimbursement in state fiscal year 1999. The department may not change reimbursement for CPT codes, which were paid at 80% of the level of the state fiscal year 1997 reimbursement in state fiscal year 1999.

Item 5c includes funds for 3.5 FTE. Funds for the FTE may not be included in the adjusted base budget for the 2005 biennium unless federal funds or private revenue is available to fund the position.

Funds in item 5d may be used only to purchase equipment to transmit or to facilitate the transmission of medical images and x-rays from rural hospitals to medical specialists. The funds may be granted only to rural hospitals or groups of rural hospitals to purchase the equipment.

The department shall provide to the legislative finance committee each year of the biennium an analysis of the number of medicaid hospital projects completed and associated cost savings because of funding for claims adjudication specialists as approved by the 2001 legislature.

Item 6 includes increases of \$211,082 of general fund money in fiscal year 2002 and of \$218,916 of general fund money in fiscal year 2003 and reductions of \$204,359 of state special revenue in fiscal year 2002 and of \$205,400 of state special revenue in fiscal year 2003 that are contingent upon passage and approval of House Bill No. 124.

Item 7 includes increases of \$1,044,768 of general fund money in fiscal year 2002 and of \$1,070,319 of general fund money in fiscal year 2003 and reductions of \$1,037,443 of state special revenue in fiscal year 2002 and of \$1,055,626 of state special revenue in fiscal year 2003 that are contingent upon passage and approval of House Bill No. 124.

Item 7 includes a reduction in general fund money of \$158,038 in fiscal year 2002 and \$158,038 in fiscal year 2003. This reduction is the equivalent of a 15% reduction

<u>Fiscal 2002</u>				<u>Fiscal 2003</u>			
<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Propri- etary</u>	<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Propri- etary</u>
	<u>Total</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>	<u>Other</u>	<u>Total</u>	<u>Other</u>
							<u>Total</u>

in fiscal 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item 7 includes a reduction of \$542,660 in fiscal year 2002 and \$544,550 in fiscal year 2003 of general fund money. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

The department shall make every effort to achieve an unqualified opinion in the financial compliance audit issued by the legislative audit division for the 2 years ending June 30, 2003. The legislature expects the department to take action to ensure that this achievement occurs, including exempting the fiscal bureau from vacancy savings requirements, exempting the fiscal bureau from reductions in staffing, establishing clear and appropriate fiscal policies and processes, and any other management actions that may reasonably be expected to result in the achievement of an unqualified audit opinion.

The developmental disability program is directed to use existing general fund appropriations within the developmental disabilities program budget to refinance services, if possible. General fund money made available through refinancing efforts may be used to:

- (1) reduce the developmental disability program waiting list;
- (2) improve wages paid by community providers to direct care workers;
- (3) provide a provider rate increase to community services providers; and
- (4) fund existing plans of care for individuals waiting for residential services.

The developmental disabilities program will report to the legislative fiscal division semiannually in January and July:

- (1) the amount of general fund money that was made available through refinancing efforts;
- (2) the amount, scope, and nature of services provided by funds made available through refinancing;
- (3) the number of consumers, providers, and direct care worker staff benefiting from initiatives funded through refinancing efforts; and
- (4) the amount of additional state special and federal funds obtained through refinancing efforts.

Item 8c includes \$3,996,613 in general fund money and \$3,861,209 in federal funds to begin equalization of wages paid to direct care workers employed by developmental disability community providers with direct care worker wages paid to employees at Eastmont human services center and the Montana developmental center.

The disability services division shall complete a report on the impact that applying income criteria to determine eligibility for developmental disabilities program services and benefits would have on individuals, the waiting list for services, and the budget for the developmental disabilities program. The report must be presented to the legislative finance committee by June 30, 2002. The report to the legislative finance committee should include by age group (0-3, 4-5, 6-18, 18-21, and over 21 years of age) and by residential setting (recipient home, group home, institution, etc.):

[illegible]

- (1) the number of nonmedicaid-eligible recipients and the value of services, by funding source, provided to individuals and families with income at or below 200% of the federal poverty level; and
- (2) the number of nonmedicaid-eligible recipients and the value of services, by funding source, provided to individuals and families with income at or below 150% of the federal poverty level.

The fiscal year 2003 funds in items 8, 8a, and 8b may not be expended until the report has been presented to the legislative finance committee.

Included in item 8b is general fund money of \$1,400,277 in fiscal year 2002 and \$1,400,224 in fiscal year 2003. This funding is one time only. The combined population at the two institutions (Eastmont human services center and Montana developmental center) may not exceed 88 individuals at the end of the 2003 biennium. If the disability services division has a population of more than 88 individuals at the end of the 2003 biennium, the division shall certify that a community residential setting was not available for the individuals remaining in the two institutions.

Funds in item 9a may be used only to make one-time payments to nursing homes based on the number of medicaid services provided. State special revenue in item 9a may be expended only after the office of budget and program planning has certified that the department has received \$2 million each year from counties participating in the intergovernmental transfer program for nursing homes.

The department shall distribute funds in items 8c and 9c in a way that provides reasonable assurance that the funds are used solely for direct care wage and benefit increases. Not all providers or types of direct care workers must receive the same rate increase for the biennium. Funds appropriated in items 8c and 9c may be used only for direct care worker wage increases. Funds in items 8c and 9c may not be used to fund other programs. In the event that the department finds it necessary to institute program reductions, it is the intent of the legislature that funds in items 8c and 9c be the last items eliminated.

The senior and long-term care division is authorized to pursue up to \$2 million in federal special revenue in item 9d over the biennium to enhance or improve division services or programs. This additional federal special revenue may be expended by the division on services as long as those actions do not require or commit the state to additional general fund expenditures beyond the amount appropriated for the 2003 biennium by the legislature to the division in [this act].

The department shall post on the senior and long-term care division website the staffing levels provided in Montana nursing facilities.

The department shall require that area agencies on aging provide a written assessment of the need for increased funding in their nutrition programs prior to expending the additional Title III of the Older Americans Act of 1965 grant funds appropriated in [this act].

The appropriation in item 10 is contingent on the department developing a management plan to:

- (1) ensure that the department staff tracking the census of residential treatment of children in Montana communicate in-state service availability to appropriate staff; and
- (2) negotiate or issue requests for proposals in compliance with 52-2-306 and 52-2-307 for placement of children with in-state providers in lieu of placing the child in out-of-

<u>Fiscal 2002</u>				<u>Fiscal 2003</u>			
<u>General</u>	<u>State</u>	<u>Federal</u>		<u>General</u>	<u>State</u>	<u>Federal</u>	
<u>Fund</u>	<u>Special</u>	<u>Special</u>	<u>Propri-</u>	<u>Fund</u>	<u>Special</u>	<u>Special</u>	<u>etary</u>
	<u>Revenue</u>	<u>Revenue</u>	<u>etary</u>		<u>Revenue</u>	<u>Revenue</u>	<u>Other</u>
				<u>Total</u>			<u>Total</u>

state treatment. The department shall submit the plan to the children, families, health, and human services interim committee and the legislative finance committee by July 1, 2001.

Item 10 is contingent on the department maintaining \$3,539,842 of federal block grant contracts to state-approved chemical dependency programs for treatment and rehabilitation each year of the 2003 biennium.

Item 10 includes \$559,560 in general fund money in fiscal year 2002 and \$713,907 in fiscal year 2003 that must be used to fund mental health services for persons eligible for the mental health services plan. At least \$480,000 of these general fund appropriations must be used for grants to one or more local children's mental health provider coalitions to prevent placement of emotionally disturbed children in out-of-home services.

Funds in item 10a must be used to fund services at Montana state hospital and for staff and utilization review activities to reduce the use of institutional services. Any funds not spent for staff and utilization review activities must be used to fund community services, which will reduce the need for inpatient and institutional care. The funds may not be used for any other purpose.

Funds in item 10b must be used to fund mental health services for low-income children. Funds in item 10b may not be used for any other purpose or transferred to any other program.

Funds in item 10d must be used to contract with the Montana consensus council.

Funds in item 10e must be used to pay one-time increases in reimbursement for services provided in frontier counties by county-funded mental health medicaid service providers.

Funds in item 10g must be used for:

- (1) activities related to training and educating law enforcement personnel, judicial personnel, and persons instrumental to the commitment process in recognizing serious mental illness and appropriate approaches to and treatment for persons who exhibit symptoms of mental illness; and
- (2) development of screening tools to help identify whether a person may be mentally ill.

TOTAL SECTION B

262,958,769	28,922,817	723,837,878	0	0	1,015,719,464	273,103,341	31,562,758	733,544,386	0	0	1,038,210,485
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	Fiscal 2002					Fiscal 2003						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
C. NATURAL RESOURCES AND COMMERCE												
DEPARTMENT OF FISH, WILDLIFE, AND PARKS (5201)												
1.	Administration and Finance Division (01)											
	0	5,683,118	1,199,741	0	0	6,882,859	0	5,715,726	1,196,547	0	0	6,912,273
a.	Legislative Audit (Restricted/Biennial)											
	0	62,028	10,946	0	0	72,974	0	0	0	0	0	0
b.	Legislative Contract Authority (Restricted/OTO)											
	0	0	75,000	0	0	75,000	0	0	75,000	0	0	75,000
2.	Field Services Division (02)											
	0	6,601,562	724,700	0	0	7,326,262	0	6,651,474	729,488	0	0	7,380,962
a.	Public Wildlife Interface (Biennial)											
	0	65,000	0	0	0	65,000	0	0	0	0	0	0
b.	Legislative Contract Authority (Restricted/OTO)											
	0	0	60,000	0	0	60,000	0	0	60,000	0	0	60,000
c.	SB 285 -- Revise Conservation License Laws (OTO)											
	0	0	0	0	0	0	0	802,000	0	0	0	802,000
3.	Fisheries Division (03)											
	0	3,314,986	3,786,792	0	0	7,101,778	0	3,338,044	3,799,927	0	0	7,137,971
a.	Fishing Access Assistance (Restricted/OTO)											
	0	50,000	0	0	0	50,000	0	50,000	0	0	0	50,000
b.	Recreation Conflict Coordinator (OTO)											
	0	15,874	37,039	0	0	52,913	0	15,874	37,039	0	0	52,913
c.	Legislative Contract Authority (Restricted/OTO)											
	0	0	1,851,019	0	0	1,851,019	0	0	1,851,019	0	0	1,851,019
d.	Echo Lake Fish Planting (OTO)											

Fiscal 2002													Fiscal 2003				
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	Fiscal 2003					
												General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
4.	0	7,500	22,500	0	0	30,000	0	7,500	22,500	0	0	30,000					
Law Enforcement Division (04)																	
0	5,983,160	277,002	0	0	6,260,162	0	6,057,818	280,150	0	0	6,337,968						
a. Alternative Livestock Environmental Review (Biennial/OTO)																	
0	96,000	0	0	0	96,000	0	0	0	0	0	0	0					
b. Legislative Contract Authority (Restricted/OTO)																	
0	0	10,000	0	0	10,000	0	0	10,000	0	0	10,000						
c. HB 419 -- Create Natural Resources Enforcement Program in Attorney General's Office																	
0	41,600	0	0	0	41,600	0	41,600	0	0	0	41,600						
Wildlife Division (05)																	
0	3,641,942	3,432,582	0	0	7,074,524	0	3,682,843	3,434,308	0	0	7,117,151						
a. Mountain Lion Research (Restricted/OTO)																	
0	38,992	116,978	0	0	155,970	0	38,992	116,978	0	0	155,970						
b. Black Bear Research (OTO)																	
0	14,830	44,490	0	0	59,320	0	14,830	44,490	0	0	59,320						
c. Sage Grouse Monitoring (OTO)																	
0	22,500	67,500	0	0	90,000	0	22,500	67,500	0	0	90,000						
d. Legislative Contract Authority (Restricted/OTO)																	
0	0	533,798	0	0	533,798	0	0	533,798	0	0	533,798						
Parks Division (06)																	
279,256	4,518,999	244,914	0	0	5,043,169	279,255	4,564,968	244,896	0	0	5,089,119						
a. Motorboat Site Maintenance (Restricted)																	
0	11,000	40,000	0	0	51,000	0	11,000	40,000	0	0	51,000						
b. Snowmobile Equipment (Biennial)																	
0	298,000	0	0	0	298,000	0	0	0	0	0	0	0					

Fiscal 2002

Fiscal 2003

	General Fund	Fiscal 2002			Total	General Fund	Fiscal 2003			Other	Total
		State Special Revenue	Federal Special Revenue	Proprietary			State Special Revenue	Federal Special Revenue	Proprietary		
c.		Continue Chief Plenty Coups (Restricted/Biennial/OTO)									
	0	214,155	0	0	0	214,155	0	0	0	0	0
d.		Legislative Contract Authority (Restricted/OTO)									
	0	0	50,000	0	0	50,000	0	0	50,000	0	50,000
7.		Conservation Education Division (08)									
2,562	1,699,295	499,481	0	0	2,201,338	2,562	1,711,770	499,472	0	0	2,213,804
a.		Aquatic Education/Family Fishing (Restricted)									
	0	0	200,000	0	0	200,000	0	0	200,000	0	200,000
b.		Shooting Range Grants (Biennial)									
	0	120,000	0	0	0	120,000	0	0	0	0	0
c.		Shooting Range Grants Enhancement (Biennial/OTO)									
	0	60,000	0	0	0	60,000	0	0	0	0	0
d.		Legislative Contract Authority (Restricted/OTO)									
	0	0	35,000	0	0	35,000	0	0	35,000	0	35,000
8.		Department Management (09)									
	0	2,586,380	882,199	0	0	3,468,579	0	2,595,545	880,521	0	3,476,066
a.		Office Maintenance and Small Equipment (Restricted/OTO)									
	0	25,000	0	0	0	25,000	0	25,000	0	0	25,000
b.		Cadastral Database (Restricted)									
	0	9,000	0	0	0	9,000	0	9,000	0	0	9,000
c.		Native Species Conservation (Restricted/OTO)									
	0	0	511,427	0	0	511,427	0	0	511,427	0	511,427
d.		Hunting and Fishing License Research (Restricted/OTO)									
	0	15,000	0	0	0	15,000	0	10,000	0	0	10,000
e.		Legislative Contract Authority (Restricted/OTO)									

	<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Proprietary</u>	<u>Total</u>	<u>Other</u>	<u>Proprietary</u>	<u>Total</u>
	0	0	200,000	0	200,000	0	0	200,000
Total								

The appropriations for legislative contract authority are subject to all of the following provisions:

- (1) Legislative contract authority applies only to federal funds.
- (2) Legislative contract authority expenditures must be reported on the state's accounting system, and the records must be separate from present law operations. In preparing the 2005 biennium budget for legislative consideration, the office of budget and program planning may not include the expenditures from this item in the present law base.
- (3) A report must be submitted by the department to the legislative fiscal division following the end of each fiscal year of the biennium. The report must include a list of projects with the related amount of expenditures and FTE for each project.

The department is to report to the natural resources and commerce appropriations subcommittee on the projects funded with federal Sikes Act money and state matching money. The report is to include an analysis of the viability for continuance of the program and a list of projects funded with the money.

If the department is required to adjust personal services expenditure costs between state and federal accounts, the approving authority shall adjust the state special revenue appropriation and the federal appropriation by like amounts. All transfers between fund types must be fully explained and justified on budget documents submitted to the office of budget and program planning.

The department shall determine and quantify any efficiencies generated as a result of incorporating the Smith River drawing process into the automated license system and report its findings to the 2003 legislature.

Item 1b legislative contract authority (LCA) is subject to all LCA provisions stated in the agency's language. LCA is restricted and a one-time-only item in [this act] and must be requested as a new proposal to be continued into the 2003 biennium. LCA applies only to federal funds.

Item 2b LCA is subject to all LCA provisions stated in the agency's language. LCA is restricted and a one-time-only item in [this act] and must be requested as a new proposal to be continued into the 2003 biennium. LCA applies only to federal funds.

Item 3 includes \$19,726 in state special revenue funds each fiscal year and \$59,178 in federal special revenue funds each fiscal year that are restricted to equipment purchases in the fisheries division and payouts of leave accruals because of retirements in the fisheries division.

Item 3c LCA is subject to all LCA provisions stated in the agency's language. LCA is restricted and a one-time-only item in [this act] and must be requested as a new proposal to be continued into the 2003 biennium. LCA applies only to federal funds.

Fiscal 2002				Fiscal 2003			
General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue
							Federal Special Revenue
							Propri- etary
							Other
							Total

- Item 4 includes a reduction in general fund money of \$18,339 in fiscal year 2002 and \$18,339 in fiscal year 2003. This reduction is the equivalent of a 25% reduction in fiscal year 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.
- Item 4a contains a biennial appropriation of \$96,000 for game farm environmental assessment/environmental impact statements.
- Item 4b LCA is subject to all LCA provisions stated in the agency's language. LCA is restricted and a one-time-only item in [this act] and must be requested as a new proposal to be continued into the 2003 biennium. LCA applies only to federal funds.
- Item 4c is contingent upon passage and approval of House Bill No. 419.
- Item 5a is a restricted and one-time-only appropriation for mountain lion research.
- Item 5d LCA is subject to all LCA provisions stated in the agency's language. LCA is restricted and a one-time-only item in [this act] and must be requested as a new proposal to be continued into the 2003 biennium. LCA applies only to federal funds.
- Item 6 includes a reduction of \$224 in fiscal year 2002 and \$225 in fiscal year 2003 of general fund money. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.
- Item 6a is a restricted appropriation for motorboat site maintenance.
- Item 6b includes a biennial appropriation of \$298,000 for snowmobile equipment.
- The department may expend from the appropriation in item 6c no more than one-half of the unspent 2001 biennium appropriation made for this purpose. It is the intent of the legislature for the department to use any funds reverted from the 2001 biennium for the purpose of carrying out various maintenance and construction projects described in the management plan for Chief Plenty Coups state park. Further, the department may pursue up to \$214,155 of lodging facility use tax funds appropriated to the department for state park maintenance in addition to the \$214,155 appropriated in [this act] for purposes of completing the maintenance and construction projects at Chief Plenty Coups state park. The department shall develop a tracking and reporting method for amounts spent from the lodging facility use tax for this purpose. The department shall report to the legislative finance committee at its June 2002 (or nearest) meeting on factors such as projects completed, dollars spent, and a timeline for completion of the remainder of the projects.
- Item 6d LCA is subject to all LCA provisions stated in the agency's language. LCA is restricted and a one-time-only item in [this act] and must be requested as a new proposal to be continued into the 2003 biennium. LCA applies only to federal funds.
- Item 7a is a restricted appropriation for aquatic education program/family fishing.
- Item 7b is a biennial appropriation of \$120,000 for shooting range grants.
- Item 7c is a biennial and one-time-only appropriation of \$60,000 for shooting range grants enhancement.

	General Fund	Special Revenue	Special Revenue	Proprietary	Other	Total	General Fund	Special Revenue	Special Revenue	Proprietary	Other	Total
3.												
			Enforcement Division (30)									
	537,756	179,012	372,895	0	0	1,089,663	525,799	180,035	374,997	0	0	1,080,831
4.												
			Remediation Division (40)									
a.			Enterprise Database Development (OTO)									
b.			Cleanup/Lockwood Solvent (Biennial)									
c.			Contracted Services -- Legal Support (Restricted/Biennial/OTO)									
d.			Leaking Underground Storage Tank Trust -- Truck Replacement (OTO)									
e.			Orphan Share Reimbursement (Restricted/Biennial/OTO)									
f.			Aboveground Storage Tank Survey (Restricted/OTO)									
g.			Petroleum Tank Release Compensation Board Fund Liability Study (Restricted/OTO)									
h.			Database Development (Restricted/OTO)									
i.			Leaking Underground Storage Tank Trust Contracted Services (Restricted/OTO)									
5.			Permitting and Compliance Division (50)									

Fiscal 2002

Fiscal 2003

General Fund	Special Revenue	Special Revenue	Proprietary	Other	Total	General Fund	Special Revenue	Special Revenue	Proprietary	Other	Total
a.	Junk Vehicle Database Conversion (Restricted/OTO)										
0	60,000	0	0	0	60,000	0	18,000	0	0	0	18,000
b.	Asbestos Compliance (Restricted/OTO)										
28,300	56,700	0	0	0	85,000	28,300	56,700	0	0	0	85,000
c.	Hazardous Waste Contract Service (Restricted/Biennial/OTO)										
0	150,000	0	0	0	150,000	0	0	0	0	0	0
d.	Bond Forfeitures (Restricted/Biennial)										
0	30,500,000	0	0	0	30,500,000	0	0	0	0	0	0
e.	Montana Environmental Policy Act Projects (Restricted/Biennial)										
0	1,000,000	0	0	0	1,000,000	0	0	0	0	0	0
f.	Hard-Rock Federal Funds (Restricted/Biennial/OTO)										
0	0	3,000,000	0	0	3,000,000	0	0	0	0	0	0
g.	SB 449 -- Environmental Rehabilitation and Response (Restricted/Biennial)										
0	125,000	0	0	0	125,000	0	0	0	0	0	0
h.	Major Facility Siting Act Projects (Restricted/Biennial/OTO)										
0	300,000	0	0	0	300,000	0	0	0	0	0	0
i.	Abandoned Vehicle Operating Costs (Restricted/OTO)										
0	172,230	0	0	0	172,230	0	172,230	0	0	0	172,230
j.	Public Water Supply Equipment (Restricted/OTO)										
0	15,000	0	0	0	15,000	0	15,000	0	0	0	15,000
k.	Hard-Rock Equipment (Restricted/OTO)										
0	8,990	0	0	0	8,990	0	0	0	0	0	0
l.	Solid Waste Database Conversion (OTO)										
50,000	50,000	0	0	0	100,000	15,000	15,000	0	0	0	30,000
m.	Zortman/Landusky Long-Term Water Treatment Trust (Restricted/OTO)										

	Fiscal 2002					Fiscal 2003						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
n.	0	0	0	0	0	0	0	540,000	0	0	0	540,000
	SB 484 -- Hard-Rock Mining Reclamation, Operation, and Maintenance (Restricted/Biennial)											
	0	4,000,000	0	0	0	4,000,000	0	0	0	0	0	0
o.	SB 167 -- Sanitation in Subdivision Grants to Counties (Restricted)											
	0	204,000	0	0	0	204,000	0	204,000	0	0	0	204,000
Total												

Items 2, 4, and 5 include a total of \$177,855 for the 2003 biennium for the Montana natural resources information system. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated.

Item 2d is contingent upon receipt of environmental protection agency 104b(3) ecosystem protection grant funds for the purposes of water quality monitoring and assessment activities. Upon receipt, the department shall contract with the Flathead Lake biological monitoring station for up to \$100,000 of these funds in support of department priority total maximum daily load monitoring and assessment projects.

Item 2e is contingent upon passage and approval of Senate Bill No. 506. The funds appropriated in item 2d are from the alternative energy revolving loan account created in Senate Bill No. 506. The funding must be spent for administration of the loan program subject to restrictions provided in Senate Bill No. 506.

Item 5 includes a reduction in general fund money of \$7,328 in fiscal year 2002 and \$7,328 in fiscal year 2003. This reduction is the equivalent of an 8% reduction in fiscal year 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item 5 includes a reduction of \$21,608 in fiscal year 2002 and \$21,683 in fiscal year 2003 of general fund money. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

Item 5g is contingent upon passage and approval of Senate Bill No. 449.

Item 5m includes a restricted, one-time-only appropriation of up to \$540,000 from state special revenue funds in fiscal year 2003 that have been transferred from the resource indemnity trust fund. The appropriation is contingent upon the state treasurer's certification to the office of budget and program planning and to the legislative finance committee that the trust balance is in excess of \$100 million. Upon meeting the contingency in fiscal year 2003, the office of budget and program planning is authorized to transfer up to \$540,000 in cash from the resource indemnity trust fund to a state special revenue fund to be used to purchase federal debt obligation securities that mature in June 2017 to partially

Fiscal 2002

Fiscal 2003

	Fiscal 2002			Fiscal 2003				
	State Special Revenue	Federal Special Revenue	Propri- etary	General Fund	Total	Other	Propri- etary	Other

fund the long-term water treatment trust for the former Zortman and Landusky mines.

Item 5n is contingent upon passage and approval of Senate Bill No. 484.

Item 5o is contingent upon passage and approval of Senate Bill No. 167.

The department is authorized to decrease federal special revenue in the pollution control and the drinking water revolving fund loan programs and increase state special revenue by a like amount within the special administration account.

DEPARTMENT OF LIVESTOCK (5603)

1. Centralized Services Program (01)

14,748	1,028,923	116,009	0	0	1,159,680	17,416	1,054,776	87,157	0	0	1,159,349
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a. Legislative Audit (Restricted/Biennial)

2,724	26,563	4,768	0	0	34,055	0	0	0	0	0	0
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b. Laboratory Information System Equipment/Installation (OTO)

0	96,200	10,000	0	0	106,200	0	0	0	0	0	0
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c. Board of Horseracing

0	237,913	0	0	0	237,913	0	241,877	0	0	0	241,877
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d. Legislative Audit -- Board of Horseracing (Restricted/Biennial)

0	450	0	0	0	450	0	0	0	0	0	0
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2. Diagnostic Laboratory Program (03)

190,933	1,194,465	11,115	0	0	1,396,513	190,949	1,212,404	17,371	0	0	1,420,724
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3. Animal Health Program (04)

0	680,445	0	0	0	680,445	0	710,510	0	0	0	710,510
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a. Bison Federal Cooperative Agreement (Restricted/OTO)

0	0	651,310	0	0	651,310	0	0	651,310	0	0	651,310
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b. Disease Outbreak (Restricted/OTO)

0	177,823	0	0	0	177,823	0	177,823	0	0	0	177,823
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c. Greater Yellowstone Interagency Brucellosis Committee (Restricted/OTO)

Fiscal 2002				Fiscal 2003					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total

4.	Milk and Egg Program (05)	0	0	127,600	0	0	127,600	0	0	143,211	0	0	143,211
5.	Inspection and Control Program (06)	0	242,143	24,758	0	0	266,901	0	246,775	24,762	0	0	271,537
	a. Brand Rerecord (Restricted/OTO)	0	2,608,699	39,244	0	0	2,647,943	0	2,594,838	39,381	0	0	2,634,219
		0	45,654	0	0	0	45,654	0	0	0	0	0	0
6.	Predator Control Program (08)	0	435,235	0	0	0	435,235	0	442,718	0	0	0	442,718
7.	Meat and Poultry Inspection Program (10)	395,716	1,756	397,475	0	0	794,947	400,683	1,756	402,441	0	0	804,880
8.	Milk Control Bureau (37)	0	186,643	0	0	0	186,643	0	186,501	0	0	0	186,501
Total		604,121	6,962,912	1,382,279	0	0	8,949,312	609,048	6,869,978	1,365,633	0	0	8,844,659

The department shall record separately all personal services, operating expenses, equipment, and capital expenditures related to bison control for all programs in which any resources are expended for that purpose on the state accounting, budgeting, and human resources system in a manner so that those expenditures may be readily derived and shall create a summary report. The department shall provide an annual report by program to the legislative fiscal analyst and the office of budget and program planning of all expenditures related to bison control.

Item 1 includes a reduction of \$4,398 in fiscal year 2002 and \$4,413 in fiscal year 2003 of general fund money. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

Items 1c and 1d are contingent upon passage and approval of Senate Bill No. 445.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION (5706)

Fiscal 2002

Fiscal 2003

	General Fund	Fiscal 2002			Total	General Fund	Fiscal 2003			Total	Other	Total
		State Special Revenue	Federal Special Revenue	Proprietary			State Special Revenue	Federal Special Revenue	Proprietary			
1. Centralized Services (21)												
1,542,278	425,067	105,000	0	0	2,072,345	1,553,621	433,259	105,000	0	2,091,880	0	2,091,880
a. Legislative Audit (Restricted/Biennial)												
80,272	0	0	0	0	80,272	0	0	0	0	0	0	0
b. Missoula Office Rewiring (Restricted/OTO)												
0	0	25,750	0	0	25,750	0	0	0	0	0	0	0
c. Debt Service to Reimburse Montana Science Institute (Restricted)												
0	0	0	0	0	0	38,000	0	0	0	38,000	0	38,000
2. Oil and Gas Conservation Division (22)												
0	1,132,008	0	0	0	1,132,008	0	1,143,052	0	0	1,143,052	0	1,143,052
a. Operating Adjustments (OTO)												
0	84,243	0	0	0	84,243	0	89,708	0	0	89,708	0	89,708
3. Conservation and Resource Development Division (23)												
1,822,848	1,497,854	161,651	0	0	3,482,353	1,741,762	1,584,972	161,651	0	3,488,385	0	3,488,385
a. Irrigation Assistance (OTO)												
140,000	0	0	0	0	140,000	150,000	0	0	0	150,000	0	150,000
b. Dry Prairie Rural Water Project (OTO)												
0	99,720	0	0	0	99,720	0	99,720	0	0	99,720	0	99,720
c. North Central Montana Regional Water Authority (OTO)												
125,000	0	0	0	0	125,000	125,000	0	0	0	125,000	0	125,000
d. Eastern Plains Resource Conservation and Development (OTO)												
0	25,000	0	0	0	25,000	0	25,000	0	0	25,000	0	25,000
e. Gallatin Resource Conservation and Development (OTO)												
15,000	0	0	0	0	15,000	15,000	0	0	0	15,000	0	15,000
f. Sheridan County Conservation District (OTO)												

		Fiscal 2002				Fiscal 2003					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total

	0	0	0	0	0	35,000	0	0	0	0	35,000
g.	Coal Tax Allocation to Conservation Districts (Biennial)										
	0	100,000	0	0	0	100,000	0	0	0	0	0
h.	Grass Conservation Commission (Biennial)										
45,000	51,508	0	0	0	96,508	0	0	0	0	0	0
i.	Regional Water System Coordinator (OTO)										
0	52,054	0	0	0	52,054	0	52,054	0	0	0	52,054
4.	Water Resources Division (24)										
5,930,069	1,016,253	160,035	0	0	7,106,357	5,991,483	1,019,340	160,733	0	0	7,171,556
a.	State Water Project Rehabilitation (Restricted/Biennial/OTO)										
0	3,600,000	0	0	0	3,600,000	0	0	0	0	0	0
b.	Dam Safety Improvement (Restricted/OTO)										
0	0	81,845	0	0	81,845	0	0	82,177	0	0	82,177
c.	Water Well Litigation (Restricted)										
0	16,000	0	0	0	16,000	0	16,000	0	0	0	16,000
d.	Water Right Permit Verification (OTO)										
0	170,000	0	0	0	170,000	0	145,000	0	0	0	145,000
e.	Flood Damage Reduction (Restricted/OTO)										
0	0	169,748	0	0	169,748	0	0	169,786	0	0	169,786
f.	Broadwater Hydropower Facility (OTO)										
0	62,000	0	0	0	62,000	0	32,000	0	0	0	32,000
g.	HB 397 -- Clark Fork River Task Force (OTO)										
0	0	0	0	0	0	0	120,000	0	0	0	120,000
5.	Reserved Water Rights Compact Commission (25)										
724,261	0	0	0	0	724,261	726,624	0	0	0	0	726,624

Fiscal 2002

Fiscal 2003

	General Fund	Fiscal 2002			Total	General Fund	Fiscal 2003			Total
		State Special Revenue	Federal Special Revenue	Proprietary			State Special Revenue	Federal Special Revenue	Proprietary	
a. Equipment Replacement (OTO)										
6,000	0	0	0	0	6,000	10,500	0	0	0	10,500
6. Forestry and Trust Lands (35)										
6,056,464	10,922,550	1,055,209	0	0	18,034,223	6,093,328	11,034,040	1,064,587	0	18,191,955
a. Fire Protection Assessment Software Rewrite (Restricted/OTO)										
79,200	40,800	0	0	0	120,000	0	0	0	0	0
b. Federal Fire Reimbursement (Restricted)										
0	0	229,684	0	0	229,684	0	0	229,684	0	229,684
c. Phase II/ Slash Programming (OTO)										
23,600	0	0	0	0	23,600	0	0	0	0	0
d. Remote Weather Station (OTO)										
8,710	4,290	0	0	0	13,000	0	0	0	0	0
e. Forest Health Monitoring Program (Restricted/OTO)										
0	0	78,000	0	0	78,000	0	0	78,000	0	78,000
f. Forest Rehabilitation (OTO)										
0	177,500	0	0	0	177,500	0	140,500	0	0	140,500
g. Replacement Equipment (OTO)										
0	15,000	0	0	0	15,000	0	17,000	0	0	17,000
h. Habitat Conservation Plan (Restricted/Biennial/OTO)										
0	0	200,000	0	0	200,000	0	0	0	0	0
i. Homeowner Defensible Space Audits (Biennial/OTO)										
0	0	200,000	0	0	200,000	0	0	0	0	0
j. Private Forest Landowner Assistance (Restricted/Biennial/OTO)										
0	0	350,000	0	0	350,000	0	0	0	0	0
k. SB 31 -- Revise State Trust Land Laws										

	Fiscal 2002					Fiscal 2003						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
I.												
	0	5,000	0	0	0	5,000	0	5,000	0	0	0	5,000
		SB 354 -- Full Compensation for School Trust for Natural Areas										
	0	0	0	0	0	0	0	35,000	0	0	0	35,000
m.												
		SB 495 -- Purchase of Public School Fund Mineral Production Rights (Restricted/Biennial/OTO)										
75,000,000		0	0	0	0	75,000,000	0	0	0	0	0	0
Total												

All remaining proceeds in excess of \$100 million in the resource indemnity trust, up to \$100,000, must be appropriated in fiscal year 2003 to the department based upon a split of two-thirds for conservation district grant projects and one-third for irrigation grants. The appropriation is contingent upon the governor's certification that the trust balance is in excess of \$100 million. Upon meeting the contingency in fiscal year 2003, the office of budget and program planning is authorized to transfer up \$100,000 in cash from the resource indemnity trust fund to a state special revenue fund to be used for these purposes. Further, the cash for these purposes cannot be transferred until \$500,000 has been transferred for the purpose of weed eradication, \$540,000 has been transferred for the purpose of purchasing securities for water treatment at the former Zortman and Landusky mines, and \$120,000 has been transferred to conduct the Clark Fork study.

Item 1 includes a reduction in general fund money of \$33,468 in fiscal year 2002 and \$33,468 in fiscal year 2003. This reduction is the equivalent of a 10% reduction in fiscal year 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item 1 includes a reduction of \$107,169 in fiscal year 2002 and \$107,543 in fiscal year 2003 of general fund money. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

Item 2 includes a total of \$98,310 for the 2003 biennium for the Montana natural resources information system. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated.

The department is authorized to decrease state special revenue in the underground injection control program and to increase federal special revenue by a like amount when the amount of federal EPA funds available for the program becomes known. Any federal special revenue funds are to be spent before state special revenue funds.

The department is appropriated up to \$600,000 for the 2003 biennium from the state special revenue account established in 85-1-604 for the purchase of prior liens on property held as loan security as provided in 85-1-618.

Fiscal 2002

General Fund State Special Revenue

Fiscal 2003

General Fund State Special Revenue Federal Special Revenue Proprietary Other Total

During the 2003 biennium, up to \$100,000 of excess loan loss reserve money in the water pollution control state revolving fund is appropriated to make grants to aid in the feasibility of projects as authorized in 75-5-1113(3)(b).

During the 2003 biennium, up to \$100,000 of excess loan loss reserve money in the drinking water state revolving fund is appropriated to make grants to aid in the feasibility of projects as authorized in 75-6-224(3)(b).

The department is authorized to decrease federal special revenue in the pollution control and the drinking water revolving fund loan programs and to increase state special revenue money by a like amount within the special administration account.

During the 2003 biennium, up to \$1 million of funds currently in or to be deposited in the Broadwater replacement and renewal account is appropriated to the department for repairing or replacing equipment at the Broadwater hydropower facility.

During the 2003 biennium, up to \$70,000 of interest earned on the Broadwater water users account is appropriated to the department for the purpose of repair, improvement, or rehabilitation of the Broadwater-Missouri diversion project.

During the 2003 biennium, up to \$500,000 of funds currently in or to be deposited in the state project hydropower earnings account is appropriated for the purpose of repairing, improving, or rehabilitating department state water projects.

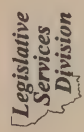
The department shall report back to the 2003 legislature to provide an update on the progress of the flood damage reduction project.

The department is appropriated up to \$20,000 for the 2003 biennium from the bond proceeds provided for in 76-13-408 for hazard reduction bonds during the 2003 biennium.

Item 4g is contingent upon passage and approval of House Bill No. 397. Item 4g is an appropriation from state special revenue funds in fiscal year 2003 that have been transferred from the resource indemnity trust fund. The appropriation is contingent upon the governor's certification that the trust balance is in excess of \$100 million. Upon meeting the contingency in fiscal year 2003, the office of budget and program planning is authorized to transfer the \$120,000 in cash from the resource indemnity trust fund to a state special revenue fund to be used for this purpose. The cash for this purpose cannot be transferred until \$500,000 has been transferred for the purpose of weed eradication and \$540,000 has been transferred for the purpose of purchasing securities for water treatment at the former Zortman and Landusky mines.

State special revenue appropriations in item 6 may be used for firefighting costs. It is the intent of the legislature to replace any state special revenue expenditures with a general fund supplemental appropriation in the next legislative session.

Item 6b includes funds received from nonstate entities for the use of department personnel and equipment to assist them in managing emergency incidents, such as fire suppression activities. Only funds up to \$100,000 received as reimbursement of personnel expenses credited against the department's operational budget and up to \$250,000 of funds received as payment under equipment use agreements are considered fire reimbursement funds. All other funds received must be deposited in the general fund. Funds reimbursed for the use of department equipment must be expended for the repair, maintenance, and replacement of equipment that supports the state-county cooperative fire program.



	Fiscal 2002					Fiscal 2003						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
The department shall report fire reimbursement expenditures on state accounting records, and the records must be separate from present law operations.												
Item 6k is contingent upon passage and approval of Senate Bill No. 31.												
Item 6l is contingent upon passage and approval of Senate Bill No. 354.												
Item 6m is limited to the amount borrowed from the coal tax permanent fund and may be used only for the purpose of purchasing public school fund mineral production rights from the trust and legacy account.												
DEPARTMENT OF AGRICULTURE (6201)												
1.	Central Management Division (15)											
	165,498	446,473	68,813	48,892	0	729,676	188,279	431,837	68,655	50,973	0	739,744
a.	Legislative Audit (Restricted/Biennial)											
	34,055	0	0	0	0	34,055	0	0	0	0	0	0
b.	Electronic Transactions Strategic Planning Consulting Services (OTO)											
	0	79,000	0	39,000	0	118,000	0	30,414	0	4,000	0	34,414
2.	Agricultural Sciences Division (30)											
	95,175	4,554,865	421,962	0	0	5,072,002	97,137	4,537,272	423,377	0	0	5,057,786
a.	Federal Special Grants (OTO)											
	0	0	100,000	0	0	100,000	0	0	100,000	0	0	100,000
b.	Organic Certification Program (Restricted/OTO)											
	41,567	0	0	0	0	41,567	41,680	0	0	0	0	41,680
c.	Federal Special Grants (Biennial)											
	0	0	2,000,000	0	0	2,000,000	0	0	0	0	0	0
d.	Weed Control Program (Restricted)											
	101,341	0	0	0	0	101,341	101,337	0	0	0	0	101,337
e.	SB 326 -- Weed Control Program (Restricted/OTO)											
	0	0	0	0	0	0	0	500,000	0	0	0	500,000
3.	Agricultural Development Division (50)											

Fiscal 2002						Fiscal 2003					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
353,758	3,184,793	45,710	267,859	0	3,852,120	356,635	3,147,491	45,710	268,174	0	3,818,010
a.	Rail Transportation Technical Assistance (Restricted/Biennial/OTO)										
0	50,000	0	0	0	50,000	0	0	0	0	0	0
Total											

It is the intent of the legislature that the department use sources other than the general fund to fund operations of the organic certification program in the 2005 biennium.

Item 1 includes a reduction in general fund money of \$4,827 in fiscal year 2002 and \$4,827 in fiscal year 2003. This reduction is the equivalent of a 13% reduction in fiscal year 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item 1 includes a reduction of \$2,715 in fiscal year 2002 and \$2,725 in fiscal year 2003 of general fund money. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

Item 2 contains \$100,000 each year of the 2003 biennium from the department of transportation highway state special revenue fund for use in the weed control program. This appropriation is contingent upon passage and approval of Senate Bill No. 326.

The funds in item 2d are to be granted to governmental entities through an application process, to mitigate the impact of noxious weeds on private and state lands, except department of fish, wildlife, and parks lands, as a result of the activities of the department of fish, wildlife, and parks.

Item 2e contains a \$500,000 appropriation in fiscal year 2003 from state special revenue funds that are to be transferred from the resource indemnity trust fund. The \$500,000 appropriation is contingent upon the governor's certification that the trust balance is in excess of \$100 million. Upon meeting the contingency in fiscal year 2003, the office of budget and program planning is authorized to transfer the \$500,000 in cash from the resource indemnity trust fund to a state special revenue fund to be used for this purpose.

Item 2e is contingent upon passage and approval of Senate Bill No. 326.

DEPARTMENT OF COMMERCE (6501)

1.	Weights and Measures Bureau (02)	0	0	0	0	0	0	0	0	0	0	0
2.	Banking and Financial Division (36)	0	0	0	0	0	0	0	0	0	0	0

Fiscal 2002 Fiscal 2003

	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
3. Professional and Occupational Licensing Bureau (39)												
	0	0	0	0	0	0	0	0	0	0	0	0
4. Board of Research and Commercialization (50)												
119,300	0	0	0	0	0	119,300	120,469	0	0	0	0	120,469
a. Legislative Audit (Restricted/Biennial)												
340	0	0	0	0	0	340	0	0	0	0	0	0
5. Economic Development Division (51)												
1,179,577	247,344	4,069,728	0	0	0	5,496,649	1,186,363	247,339	4,070,118	0	0	5,503,825
a. Legislative Audit (Restricted/Biennial)												
7,051	0	0	0	0	0	7,051	0	0	0	0	0	0
6. Montana Promotion Division (52)												
0	750,000	0	0	0	0	750,000	0	750,000	0	0	0	750,000
a. Legislative Audit (Restricted/Biennial)												
0	15,149	0	0	0	0	15,149	0	0	0	0	0	0
7. Community Development Division (60)												
430,411	1,885,393	8,179,207	0	0	0	10,495,011	435,204	1,945,408	8,179,673	0	0	10,560,285
a. Legislative Audit (Restricted/Biennial)												
4,920	925	0	0	0	0	5,845	0	0	0	0	0	0
b. Hard-Rock Mining Impact Account Reserve (Restricted)												
0	100,000	0	0	0	0	100,000	0	100,000	0	0	0	100,000
8. Local Government Services Division (62)												
0	0	0	0	0	0	0	0	0	0	0	0	0
9. Building Codes Bureau (65)												
0	0	0	0	0	0	0	0	0	0	0	0	0
10. Housing Division (74)												

Fiscal 2002

Fiscal 2003

	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
11.	0	0	53,450,673	0	0	53,450,673	0	0	56,320,247	0	0	56,320,247
a.			Legislative Audit (Restricted/Biennial)									
	0	0	11,973	0	0	11,973	0	0	0	0	0	0
Montana State Lottery (77)												
	0	0	0	0	0	0	0	0	0	0	0	0
12.			Board of Horseracing (78)									
	0	0	0	0	0	0	0	0	0	0	0	0
13.			Consumer Affairs (79)									
	0	0	0	0	0	0	0	0	0	0	0	0
14.			Director's Office/Management Services Division (81)									
a.			Department Server/Hardware Replacement (OTO)									
14,389	1,701	18,566	0	0	0	34,656	0	0	0	0	0	0
b.			Federal Building Rent									
0	0	0	0	0	0	0	0	57,838	55,038	0	0	112,876
c.			Federal Building/Move (OTO)									
0	0	18,000	0	0	0	18,000	0	30,000	6,000	0	0	36,000
Total												
1,755,988	3,000,512	65,748,147	0	0	0	70,504,647	1,742,041	3,130,585	68,631,076	0	0	73,503,702

The reduction in funding for items 1, 2, 3, 8, 9, 11, 12, and 13 are contingent upon passage and approval of Senate Bill No. 445. If Senate Bill No. 445 is not passed and approved, the department is appropriated \$746,325 in general fund money, \$11,179,874 in state special revenue, and \$8,927,921 in proprietary authority in fiscal year 2002 and \$745,771 in general fund money, \$11,104,944 in state special revenue, and \$8,904,330 in proprietary authority in fiscal year 2003. The allocation among divisions and the realignment of language associated with the reallocation will be outlined in the Legislative Fiscal Division's 2003 Biennium Legislative Fiscal Report if Senate Bill No. 445 is not passed and approved.

Item 5 includes a reduction of \$13,252 in fiscal year 2002 and \$13,298 in fiscal year 2003 of general fund money. The department may reallocate this reduction in funding

	Fiscal 2002				Fiscal 2003						
	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
Lewis and Clark Bicentennial			\$116,477		\$111,124						
Scriver Curator			28,484		25,553						
Scriver Rent Storage			96,000		100,000						
Lewis and Clark Bicentennial Commission			200,000		200,000						
Historical Interpretation			75,000		75,000						
TOTAL SECTION C											
99,335,069	126,411,979	112,278,563	355,751	0	338,381,362	23,813,149	84,011,002	108,668,137	323,147	0	216,815,435

among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

It is the intent of the legislature that the department use taxes to fund \$515,961 in fiscal year 2002 and \$511,677 in fiscal year 2003 for the Montana historical society. This would be expended as follows:

D. CORRECTIONS AND PUBLIC SAFETY											
CRIME CONTROL DIVISION (4107)											
1. Justice System Support Service (01)											
678,872 0 595,273 0 0 1,274,145 691,889 0 593,356 0 0 1,285,245											
a. Regional Juvenile Detention (Biennial)											
1,114,942 0 0 0 0 1,114,942 1,114,942 0 0 0 1,114,942											
b. Federal Pass-Through Grants (Biennial)											
0 0 9,525,213 0 0 9,525,213 0 0 9,525,213 0 0 9,525,213											
c. Computer Crime Unit (Biennial)											
0 0 149,670 0 0 149,670 0 0 0 0 0 0											

All remaining federal pass-through grant appropriations, including reversions, for the 2001 biennium are authorized to continue and are appropriated in fiscal year 2002 and fiscal year 2003.

Item 1 includes a reduction in general fund money of \$2,352 in fiscal year 2002 and \$2,352 in fiscal year 2003. This reduction is the equivalent of an 11% reduction in fiscal year 2000 base budget travel expenses.

The board of crime control shall update juvenile crime statistics from the child and adult protective services system on the board's web page semiannually.

DEPARTMENT OF JUSTICE (4110)

1. Legal Services Division (01)											
2,672,847	327,095	149,680	0	0	3,149,622	2,689,485	328,436	150,137	0	0	3,168,058
a. Major Litigation (Restricted/Biennial)											
200,000	0	0	0	0	200,000	200,000	0	0	0	0	200,000
b. Crime Victim Benefits (Biennial)											
579,398	0	225,000	0	0	804,398	581,300	0	225,000	0	0	806,300

<u>Fiscal 2002</u>				<u>Fiscal 2003</u>						
General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total

c. HB 419 -- Natural Resources Enforcement Program

0	41,600	0	0	0	41,600	0	0	0	0	41,600
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2. Gambling Control Division (07)

380,000	2,258,625	0	611,103	0	3,249,728	380,000	2,268,893	0	613,766	0
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3. Motor Vehicle Division (12)

8,191,905	432,194	0	0	0	8,624,099	8,240,751	432,194	0	0	8,672,945
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a. HB 577 -- Motor Vehicle IT Account (Biennial)

0	960,000	0	0	0	960,000	0	0	0	0	0
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b. SB 334 -- Driver Rehabilitation and Improvement Program

0	33,148	0	0	0	33,148	0	32,778	0	0	32,778
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4. Highway Patrol Division (13)

1,039,779	17,050,446	964,494	0	0	19,054,719	1,072,796	17,349,960	971,207	0	19,393,963
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a. SB 358 -- Access to Traffic Accident Reports

0	16,574	0	0	0	16,574	0	13,946	0	0	13,946
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b. HB 256 -- Reckless or Careless Driving

12,073	0	0	0	0	12,073	12,073	0	0	0	12,073
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5. Division of Criminal Investigation (18)

2,307,322	317,557	1,340,519	0	0	3,965,398	2,321,541	318,802	1,346,416	0	3,986,759
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6. County Attorney Payroll (19)

1,695,751	0	0	0	0	1,695,751	1,749,594	0	0	0	1,749,594
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7. Law Enforcement Academy Division (22)

1,104,721	50,000	199,607	0	0	1,354,328	1,089,970	50,000	199,722	0	1,339,692
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8. Central Services Division (28)

276,527	354,448	0	12,888	0	643,863	275,326	352,914	0	12,831	641,071
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a. Legislative Audit (Restricted/Biennial)

Fiscal 2002

	General Fund	State Special Revenue	Fiscal 2002			Total	General Fund	State Special Revenue	Fiscal 2003			Total
			Federal Special Revenue	Propri- etary	Other				Federal Special Revenue	Propri- etary	Other	

26,149	33,447	0	1,216	0	60,812	0	0	0	0	0	0	0
9. Information Technology Services Division (29)												
2,700,395	656,401	771,611	10,199	0	4,138,606	2,714,182	656,387	771,594	10,199	0	4,152,362	
10. Forensic Sciences Division (32)												
2,085,304	303,205	185,673	0	0	2,574,182	2,074,816	303,205	185,973	0	0	2,563,994	
a. HB 359 -- Expand Collection of DNA Evidence												
24,150	0	0	0	0	24,150	24,150	0	0	0	0	24,150	

Total

23,296,321	22,834,740	3,836,584	635,406	0	50,603,051	23,425,984	22,149,115	3,850,049	636,796	0	50,061,944
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The appropriations for legislative contract authority are subject to all of the following provisions:

(1) Legislative contract authority applies only to federal and private funds.

(2) Legislative contract authority expenditures must be reported on the state accounting records and kept separate from present law operations. In preparing the 2005 biennium executive budget, the office of budget and program planning may not include expenditures from this item in the present law base.

(3) A report must be submitted by the department to the legislative fiscal analyst following the end of each fiscal year, listing legislative contract authority grants received and the amount of expenditures and FTE for each grant.

The legislature recognizes that the costs associated with litigation in which the legal services division is required to provide representation to the state of Montana may exceed the appropriation provided. In that event, the department will need to request a supplemental appropriation from the 2003 legislature to adequately represent the state.

Item 1c is contingent upon passage and approval of House Bill No. 419.

The appropriation for the gambling control division contains funding for the automated accounting and reporting system (AARS). The general fund appropriation of \$380,000 in each year of the 2003 biennium reflects continuation of a 5-year general fund commitment for this project through the 2005 biennium. It is the intent of the legislature that an annual general fund commitment of \$236,250 be continued in each year of the 2007 biennium. If the long-range building program committee bill, to use intercap funding for AARS implementation, is passed by the 2001 legislature, a portion of these appropriations may be used to make debt service payments.

The department is appropriated up to \$2,800,000 for the biennium from state special revenue funds for the purchase of system interface boards to be used for the implementation of the AARS.

Fiscal 2002

State	Federal
Special	Special
<u>Revenue</u>	<u>Revenue</u>

Propri-
etary

Other	Total
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Item 2 includes a reduction of \$567,203 in general fund money in fiscal year 2002 and \$569,866 in fiscal year 2003 and an increase in proprietary funds of \$611,103 in fiscal year 2002 and \$613,766 in fiscal year 2003. These reductions and increases are contingent upon passage and approval of House Bill No. 399.

Item 3 includes a reduction in general fund money of \$31,502 in fiscal year 2002 and \$31,502 in fiscal year 2003. This reduction is the equivalent of a 10% reduction in fiscal year 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item 3 includes \$5,738 of general fund money in fiscal year 2002 that is contingent upon passage and approval of House Bill No. 124.

Item 3a is contingent upon passage and approval of House Bill No. 577 and is for:

- (1) debt service payments or repayment of any loan incurred for the creation of a new information technology system for motor vehicles; or
- (2) payment of costs directly incurred in the creation and support of the new motor vehicle information technology system.

Item 4a is contingent upon passage and approval of Senate Bill No. 358.

Item 4b is contingent upon passage and approval of House Bill No. 256.

There is appropriated from the highway patrol retirement clearing account for payments to the Montana highway patrol pension fund the amount required for this transfer, not to exceed \$1,500,000 for each fiscal year.

Item 9 includes a reduction of \$127,892 in fiscal year 2002 and \$128,336 in fiscal year 2003 of general fund money. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

If Senate Bill No. 328 is not passed and approved, the extradition and transportation of prisoners program will remain in the department of justice as program 30 and there is appropriated \$177,724 of general fund money in fiscal year 2002 and \$178,936 of general fund money in fiscal year 2003. In addition, if Senate Bill No. 328 is not passed and approved, the amendment to the reference copy of [this act] striking the language accompanying the extradition and transportation of prisoners program in the department of justice is void.

Item 10 includes \$12,000 in general fund money for fiscal year 2002 for lab accreditation. The use of the funds for accreditation is contingent on passage of a federal requirement that a lab needs to be accredited to receive federal funds.

Item 10a is contingent upon passage and approval of House Bill No. 359.

PUBLIC SERVICE REGULATION (4201)

1. Public Service Regulation Program (01)

0	2,525,654	13,667	0	0	2,539,321	0	2,505,912	13,666	0	0	2,519,578
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Fiscal 2002

Fiscal 2003

	General Fund	State Special Revenue	Fiscal 2002			Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
			Federal Special Revenue	Propri- etary	Other							

a. Legislative Audit (Restricted/Biennial)

0	17,027	0	0	0	17,027	0	0	0	0	0	0	0
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b. Consultants (Biennial)

0	100,000	0	0	0	100,000	0	0	0	0	0	0	0
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c. Universal Access Program (Biennial)

0	683,454	0	0	0	683,454	0	0	0	0	0	0	0
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Total

0	3,326,135	13,667	0	0	3,339,802	0	2,505,912	13,666	0	0	0	2,519,578
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DEPARTMENT OF CORRECTIONS (6401)

1. Administration and Support Services (01)

14,797,936	4,321	0	67,057	0	14,869,314	14,406,654	1,358	0	65,181	0	0	14,473,193
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a. Legislative Audit (Restricted/Biennial)

91,947	0	0	0	0	91,947	0	0	0	0	0	0	0
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b. Establishment of Criteria and Treatment of Hepatitis C

103,510	0	0	0	0	103,510	567,909	0	0	0	0	0	567,909
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2. Community Corrections (02)

32,621,208	573,890	428,987	0	0	33,624,085	34,345,320	573,890	428,987	0	0	0	35,348,197
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3. Secure Facilities (03)

48,134,474	1,152,279	533,362	0	0	49,820,115	47,083,654	1,152,595	556,968	0	0	0	48,793,217
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4. Montana Correctional Enterprises (04)

1,014,403	0	0	516,831	0	1,531,234	1,016,834	0	0	518,241	0	0	1,535,075
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Total

96,763,478	1,730,490	962,349	583,888	0	100,040,205	97,420,371	1,727,843	985,955	583,422	0	0	100,717,591
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Fiscal 2002

Fiscal 2003

	Fiscal 2002			Fiscal 2003		
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total

Because the percentage of American Indians in our state's correctional system ranges from 17% in the men's prison to up to 40% in the women's prison, it is important that the department maintain open communications and liaisons with the Montana tribes. Therefore, the department shall designate one of its current full-time equivalent employees in the administration and support services division to have included as a part of the employee's job responsibilities the duty to serve as a liaison with the Montana tribes and the department regarding American Indian inmate issues and concerns in all correctional facilities, including contracted bed facilities.

The department is encouraged to use telemedicine technology to the fullest extent possible to effect savings within the department.

Item 1 includes a reduction of \$401,402 in fiscal year 2002 and \$402,801 in fiscal year 2003 of general fund money. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

Item 2 includes a reduction in general fund money of \$107,057 in fiscal year 2002 and \$107,057 in fiscal year 2003. This reduction is the equivalent of a 24% reduction in fiscal year 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

If Senate Bill No. 489 is not passed and approved, general fund money in item 2 is reduced by \$667,156 in fiscal year 2002 and by \$2,165,633 in fiscal year 2003.

If Senate Bill No. 489 is not passed and approved, general fund money in item 3 is increased by \$4 million in fiscal year 2003.

The department shall negotiate with the department of public health and human services and the Montana food bank for any costs incurred by the Montana correctional enterprises in operating the food bank program.

DEPARTMENT OF LABOR AND INDUSTRY (6602)

1. Job Service Division (01)

691,355	6,701,113	24,354,444	6,832	0	31,753,744	693,752	6,735,551	24,371,112	6,832	0	31,807,247
a.	Legislative Audit (Restricted/Biennial)										
958	58,072	6,543	0	0	65,573	0	0	0	0	0	0
b.	Research and Analysis Bureau Additional FTE (OTO)										
0	0	82,903	0	0	82,903	0	0	83,194	0	0	83,194
c.	Displaced Homemaker Program										
235,605	0	0	0	0	235,605	235,605	0	0	0	0	235,605
d.	SB 322 -- Natural Resource Worker Education and Retraining										
0	0	0	0	0	0	0	150,000	0	0	0	150,000

Fiscal 2002

Fiscal 2003

	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
2. Unemployment Insurance Division (02)												
0	288,653	6,186,716	0	0	0	6,475,369	0	288,653	6,236,208	0	0	6,524,861
a. Legislative Audit (Restricted/Biennial)												
0	0	20,506	0	0	0	20,506	0	0	0	0	0	0
b. Unemployment Insurance Modified FTE to Permanent (OTO)												
0	0	108,206	0	0	0	108,206	0	0	108,583	0	0	108,583
3. Commissioner's Office/Centralized Services Division (03)												
149,746	530,987	445,678	52,540	0	0	1,178,951	150,348	536,048	447,421	52,819	0	1,186,636
a. Legislative Audit (Restricted/Biennial)												
196	3,164	0	0	0	0	3,360	0	0	0	0	0	0
4. Employment Relations Division (04)												
886,698	5,815,940	761,902	0	0	0	7,464,540	891,317	5,849,545	765,250	0	0	7,506,112
a. Legislative Audit (Restricted/Biennial)												
2,990	14,812	2,660	0	0	0	20,462	0	0	0	0	0	0
b. Human Rights Workload (Restricted/OTO)												
21,159	0	0	0	0	0	21,159	21,227	0	0	0	0	21,227
5. Professional and Occupational Licensing (05)												
0	5,272,276	0	0	0	0	5,272,276	0	5,202,573	0	0	0	5,202,573
a. Legal Contingency (Restricted/OTO)												
0	70,000	0	0	0	0	70,000	0	70,000	0	0	0	70,000
6. Weights and Measures Bureau (06)												
0	678,238	0	0	0	0	678,238	0	679,843	0	0	0	679,843
a. Legislative Audit (Restricted/Biennial)												
0	1,573	0	0	0	0	1,573	0	0	0	0	0	0
7. Montana Community Services (07)												

	Fiscal 2002				Fiscal 2003							
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
24,895	28,191	2,964,714	0	0	3,017,800	24,895	28,200	2,966,472	0	3,019,567		
a.	Legislative Audit (Restricted/Biennial)											
0	0	862	0	0	862	0	0	0	0	0	0	0
8.	Building Codes Bureau (08)											
0	3,278,325	0	0	0	3,278,325	0	3,295,263	0	0	3,295,263		
a.	Legislative Audit (Restricted/Biennial)											
0	6,427	0	0	0	6,427	0	0	0	0	0	0	0
b.	Building Codes Vehicle Replacement (OTO)											
0	45,118	0	0	0	45,118	0	46,118	0	0	46,118		
9.	Workers' Compensation Court (09)											
0	422,967	0	0	0	422,967	0	428,938	0	0	428,938		
a.	Legislative Audit (Restricted/Biennial)											
0	1,034	0	0	0	1,034	0	0	0	0	0	0	0
Total												

It is the intent of the legislature that the rates charged for centralized services functions be agreed to by the United States department of labor federal cost negotiator. It is anticipated that the assessment will be approximately 9% and 10% of a program's actual personal services costs incurred in fiscal year 2002 and fiscal year 2003.

Item 1d is contingent upon passage and approval of Senate Bill No. 322.

Item 3 includes a reduction in general fund money of \$923 in fiscal year 2002 and \$923 in fiscal year 2003. This reduction is the equivalent of a 1% reduction in fiscal year 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item 3 includes a reduction of \$7,635 in fiscal year 2002 and \$7,661 in fiscal year 2003 of general fund money. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

The professional and occupational licensing staff and operating budget designated as proprietary will transfer into this department with professional and occupational licensing

<u>Fiscal 2002</u>				<u>Fiscal 2003</u>			
State	Federal	Propr-etary	Other	General	State	Federal	Propr-etary
<u>Special Revenue</u>	<u>Special Revenue</u>			<u>Fund</u>	<u>Special Revenue</u>	<u>Special Revenue</u>	
<u>General Fund</u>				<u>Total</u>			

(05).

Items 5, 5a, 6, 6a, 8, 8a, and 8b are contingent upon passage and approval of Senate Bill No. 445.

It is the intent of the legislature that the internal service rates charged for program 05, program 06, and program 08 will be approximately 9% and 10% of a program's actual personal services costs incurred in fiscal year 2002 and fiscal year 2003.

The department shall report to the 2003 legislature on options for a fleet management plan to stabilize vehicle replacement costs within the building codes division.

Item 8 contains state special revenue authority of \$70,389 in fiscal year 2002 and \$52,889 in fiscal year 2003, including funding for 1.5 full-time equivalent employees each year, that is contingent upon passage and approval of House Bill No. 437.

Item 8 contains state special revenue authority of \$100,925 in fiscal year 2002 and \$151,950 in fiscal year 2003, including funding for 1.5 full-time equivalent employees in fiscal year 2002 and 3 full-time equivalent employees in fiscal year 2003, that is contingent upon passage and approval of Senate Bill No. 242.

DEPARTMENT OF MILITARY AFFAIRS (6701)

1. Operations Support (01)

367,042	0	45,697	0	0	412,739	365,807	0	50,448	0	0	416,255
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a. Legislative Audit (Restricted/Biennial)

414	0	0	0	0	414	0	0	0	0	0	0
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b. Operations Support Compliance Specialist (OTO)

0	0	36,548	0	0	36,548	0	0	37,153	0	0	37,153
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2. Challenge Program (02)

a. Legislative Audit (Restricted/Biennial)

4,135	0	6,203	0	0	10,338	0	0	0	0	0	0
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b. Youth Challenge Program (OTO)

1,114,027	0	1,671,040	0	0	2,785,067	1,118,162	0	1,677,243	0	0	2,795,405
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3. Scholarship Program (03)

a. National Guard Scholarship Program (Biennial/OTO)

250,000	0	0	0	0	250,000	0	0	0	0	0	0
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4. Army National Guard Program (12)

*Legislative
Services
Division*

Fiscal 2002 Fiscal 2003

	<u>General Fund</u>	<u>State Special Revenue</u>	<u>Fiscal 2002</u>			<u>General Fund</u>	<u>State Special Revenue</u>	<u>Fiscal 2003</u>			<u>Total</u>	<u>Other</u>	<u>Total</u>
			<u>Federal Special Revenue</u>	<u>Proprietary</u>				<u>Federal Special Revenue</u>	<u>Proprietary</u>				
1,181,699		124,400	3,640,929	0	0	4,947,028	1,240,481	222,800	3,738,366	0	0	0	5,201,647
a. Legislative Audit (Restricted/Biennial)													
6,410		0	16,746	0	0	23,156	0	0	0	0	0	0	0
5. Air National Guard Program (13)													
200,334		0	2,020,763	0	0	2,221,097	208,550	0	2,016,840	0	0	0	2,225,390
a. Legislative Audit (Restricted/Biennial)													
931		0	4,446	0	0	5,377	0	0	0	0	0	0	0
b. Firefighters Retirement (Restricted/Biennial)													
0		0	5,686	0	0	5,686	0	0	0	0	0	0	0
6. Disaster Coordination Response (21)													
505,769		21,597	1,766,785	0	0	2,294,151	508,462	21,597	1,327,478	0	0	0	1,857,537
a. Legislative Audit (Restricted/Biennial)													
620		0	620	0	0	1,240	0	0	0	0	0	0	0
b. Disaster and Emergency Services Server Replacement (OTO)													
0		0	0	0	0	0	12,679	0	4,651	0	0	0	17,330
7. Veterans' Affairs Program (31)													
689,897		161,513	0	0	0	851,410	685,468	161,614	0	0	0	0	847,082
a. Legislative Audit (Restricted/Biennial)													
827		0	0	0	0	827	0	0	0	0	0	0	0
b. Veterans' Affairs Copier Replacement (OTO)													
4,000		0	0	0	0	4,000	0	0	0	0	0	0	0
Total													
4,326,105		307,510	9,215,463	0	0	13,849,078	4,139,609	406,011	8,852,179	0	0	0	13,397,799

The terrorism/weapons of mass destruction program and the associated 1 FTE are terminated when federal funding for the program is terminated.

Fiscal 2002				Fiscal 2003			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Total	Other	Total	Other

The general fund appropriation in item 2b may be used only for matching funds for Montana residents.

Item 4 includes a reduction in general fund money of \$14,018 in fiscal year 2002 and \$14,018 in fiscal year 2003. This reduction is the equivalent of a 13% reduction in fiscal year 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item 4 includes a reduction of \$20,312 in fiscal year 2002 and \$20,381 in fiscal year 2003 of general fund money. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

Item 5b is contingent upon passage and approval of Senate Bill No. 289.

TOTAL SECTION D							
128,193,320	51,415,765	59,233,353	1,278,666	0	240,121,104	128,809,939	50,099,613
						58,798,658	1,279,869
						0	238,988,079

							Fiscal 2002			Fiscal 2003		
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	
E. EDUCATION												
OFFICE OF SUPERINTENDENT OF PUBLIC INSTRUCTION (3501)												
1.	OPI Administration (06)											
4,328,810	181,100	0	73,133	0	4,583,043	4,323,887	181,178	0	73,133	0	4,578,198	
a.	Advanced Placement Administration (OTO)											
0	0	27,557	0	0	27,557	0	0	39,841	0	0	39,841	
b.	Emergency Renovation (OTO)											
0	0	54,837	0	0	54,837	0	0	54,837	0	0	54,837	
c.	Federal Funds (Biennial)											
0	0	7,537,147	0	0	7,537,147	0	0	7,548,601	0	0	7,548,601	
d.	National Board Certification Stipends											
30,000	0	0	0	0	30,000	30,000	0	0	0	0	30,000	
2.	Distribution to Public Schools (09)											
0	0	82,994,320	0	0	82,994,320	0	0	84,576,071	0	0	84,576,071	
a.	BASE Aid (Restricted/Biennial)											
440,776,000	0	0	0	0	440,776,000	443,890,000	0	0	0	0	443,890,000	
b.	Special Education (Restricted/Biennial)											
33,899,850	0	0	0	0	33,899,850	34,916,846	0	0	0	0	34,916,846	
c.	Transportation Aid (Restricted/Biennial)											
10,787,993	0	0	0	0	10,787,993	10,887,993	0	0	0	0	10,887,993	
d.	School Facility Reimbursement (Restricted/Biennial)											
4,350,000	0	0	0	0	4,350,000	4,700,000	0	0	0	0	4,700,000	
e.	Instate Treatment (Biennial)											
974,897	0	0	0	0	974,897	974,897	0	0	0	0	974,897	
f.	Secondary Vocational Education (Biennial)											

E. EDUCATION

Fiscal 2002 Fiscal 2003

General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
715,000	0	0	0	0	715,000	715,000	0	0	0	0	715,000
g. Adult Basic Education (Biennial)											
275,000	0	0	0	0	275,000	275,000	0	0	0	0	275,000
h. Gifted and Talented (Biennial)											
150,000	0	0	0	0	150,000	150,000	0	0	0	0	150,000
i. School Food (Biennial)											
648,653	0	0	0	0	648,653	648,653	0	0	0	0	648,653
j. School District Audits (Biennial)											
145,025	0	0	0	0	145,025	149,425	0	0	0	0	149,425
k. Traffic Safety Distribution											
0	750,000	0	0	0	750,000	0	750,000	0	0	0	750,000
l. Reduced Class Size (Biennial)											
0	0	7,605,780	0	0	7,605,780	0	0	9,492,523	0	0	9,492,523
m. Advanced Placement Incentive (Biennial)											
0	0	194,900	0	0	194,900	0	0	238,600	0	0	238,600
n. Comprehensive School Reform (Biennial)											
0	0	963,061	0	0	963,061	0	0	963,061	0	0	963,061
o. Emergency School Renovation (Biennial)											
0	0	5,428,913	0	0	5,428,913	0	0	5,428,913	0	0	5,428,913
p. SB 390 -- Transfer to School Flexibility Account (Restricted/Biennial/OTO)											
0	0	0	0	0	0	5,000,000	0	0	0	0	5,000,000
q. School Flexibility Account (Restricted/Biennial/OTO)											
0	0	0	0	0	0	0	5,083,000	0	0	0	5,083,000

Total

	Fiscal 2002				Fiscal 2003			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
497,081,228	931,100	104,806,515	73,133	0	602,891,976	506,661,701	6,014,178	108,342,447
							73,133	0
								621,091,459

It is the intent of the legislature that the advanced driver education program be funded through a proprietary account.

Item 1 includes a reduction in general fund money of \$19,069 in fiscal year 2002 and \$19,069 in fiscal year 2003. This reduction is the equivalent of a 13.5% reduction in fiscal 2000 base budget travel expenses.

Item 1 includes a reduction of \$24,236 in fiscal year 2002 and \$24,322 in fiscal year 2003 of general fund money. The office may reallocate this reduction in funding among programs when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

Item 1 includes \$37,500 of general fund money in fiscal year 2002 and \$12,500 of general fund money in fiscal year 2003 that are contingent upon passage and approval of House Bill No. 124.

Item 1c is a biennial appropriation.

Item 1d is to provide up to 10 teachers each fiscal year who obtain certification by the national board for professional teaching standards with a one-time stipend of \$3,000.

Items 2a through 2j and items 2l through 2o are biennial appropriations.

Money deposited in the general fund for fiscal year 2001 under 20-9-343(3)(a)(ii) must be transferred to the school technology account in the state special revenue fund in fiscal year 2002.

If House Bill No. 41 is not passed and approved in the form that statutorily appropriates timber harvest funds to schools for technology acquisitions, there is a restricted, biennial general fund appropriation of \$1,250,000 in fiscal year 2002 and \$1,600,000 in fiscal year 2003. In addition, if House Bill No. 41 is not passed and approved, the amendment to the reference copy of [this act] striking the language accompanying the timber harvest appropriation and inserting language is void.

The office of public instruction may distribute funds from the appropriation in item 2e to public school districts for the purpose of providing educational costs of children with significant behavioral or physical needs.

If Senate Bill No. 495 is enjoined before April 1, 2002, items 2p and 2q are void.

BOARD OF PUBLIC EDUCATION (5101)

1. Administration (01)									
170,125	12,041	0	0	0	182,166	170,507	12,041	0	182,548
a. Legislative Audit (Restricted/Biennial)									
1,703	0	0	0	0	1,703	0	0	0	0

Fiscal 2002

Fiscal 2003

	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
2. Advisory Council (03)												
0	161,433	0	0	0	0	161,433	0	161,994	0	0	0	161,994
a. Legislative Audit (Restricted/Biennial)												
0	1,702	0	0	0	0	1,702	0	0	0	0	0	0
Total												
171,828	175,176	0	0	0	0	347,004	170,507	174,035	0	0	0	344,542
SCHOOL FOR THE DEAF AND BLIND (5113)												
1. Administration Program (01)												
302,064	0	0	0	0	0	302,064	300,387	0	0	0	0	300,387
a. Legislative Audit (Restricted/Biennial)												
28,127	0	0	0	0	0	28,127	0	0	0	0	0	0
2. General Services Program (02)												
314,080	0	0	0	0	0	314,080	315,497	0	0	0	0	315,497
3. Student Services (03)												
918,708	0	25,000	0	0	0	943,708	922,187	0	25,000	0	0	947,187
4. Education (04)												
1,891,051	235,065	63,898	0	0	0	2,190,014	1,891,657	235,065	63,898	0	0	2,190,620
Total												
3,454,030	235,065	88,898	0	0	0	3,777,993	3,429,728	235,065	88,898	0	0	3,753,691

Item 4 includes a reduction of \$26,189 in fiscal year 2002 and \$26,279 in fiscal year 2003 of general fund money. The school may reallocate this reduction in funding among programs when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

MONTANA ARTS COUNCIL (5114)

		Fiscal 2002				Fiscal 2003							
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
1.	Promotion of the Arts (01)												
	314,029	140,829	477,500	0	0	0	932,358	302,551	137,416	477,500	0	0	917,467
	a. Legislative Audit (Restricted/Biennial)												
	19,460	0	0	0	0	0	19,460	0	0	0	0	0	0
	Total												
	333,489	140,829	477,500	0	0	0	951,818	302,551	137,416	477,500	0	0	917,467
All federal funds in item 1 are biennial appropriations.													
Item 1 includes a reduction in general fund money of \$1,132 in fiscal year 2002 and \$1,132 in fiscal year 2003. This reduction is the equivalent of a 16% reduction in fiscal year 2000 base budget travel expenses.													
MONTANA STATE LIBRARY COMMISSION (5115)													
1.	State Library Operations (01)												
	1,790,071	177,710	1,200,694	0	0	0	3,168,475	1,531,278	177,710	750,694	0	0	2,459,682
	a. Legislative Audit (Restricted/Biennial)												
	17,027	0	0	0	0	0	17,027	0	0	0	0	0	0
	b. Periodical Electronic Database (OTO)												
	82,500	117,500	0	0	0	0	200,000	82,500	117,500	0	0	0	200,000
2.	Natural Resources Information System (07)												
	84,838	470,348	30,000	0	0	0	585,186	88,980	495,341	30,000	0	0	614,321
	a. Stable Natural Resources Information System Funding (OTO)												
	4,513	140,487	0	0	0	0	145,000	4,513	115,487	0	0	0	120,000
	b. Legislative Contract Authority (Biennial/OTO)												
	0	25,000	475,000	0	0	0	500,000	0	0	0	0	0	0

Fiscal 2002

Fiscal 2003

	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
1,978,949	931,045	1,705,694	0	0	4,615,688	1,707,271	906,038	780,694	0	0	0	3,394,003
Item 1 includes biennial appropriations of \$251,138 in general fund money and \$889,102 in federal funds for grants to local libraries.												
Item 1 includes a reduction in general fund money of \$4,561 in fiscal year 2002 and \$4,561 in fiscal year 2003. This reduction is the equivalent of a 16% reduction in fiscal year 2000 base budget travel expenses. The commission may reallocate this reduction in funding between programs when developing 2003 biennium operating plans.												
Item 2b includes \$500,000 for legislative contract authority as a biennial appropriation, subject to the following provisions:												
(1) Legislative contract authority applies only to state special revenue funds received from the Montana university system, federal funds, and private funds.												
(2) Legislative contract authority expenditures must be reported on the state accounting system. The records must be separate from present law operations. In preparing the 2005 biennium budget for legislative consideration, the office of budget and program planning may not include the expenditures from this item in the present law base.												
(3) A report must be submitted by the state library commission to the legislative fiscal division following the end of each fiscal year of the biennium. The report must include a listing of projects with the related amount of expenditures for each project.												
(4) Legislative contract authority may be transferred between state and federal special revenue, depending upon the contract received by the Montana state library.												
MONTANA HISTORICAL SOCIETY (5117)												
1.	Administration Program (01)											
796,224	217,473	56,796	70,000	0	1,140,493	800,573	212,116	57,616	70,000	0	0	1,140,305
a.	Legislative Audit (Restricted/Biennial)											
26,757	0	0	0	0	26,757	0	0	0	0	0	0	0
b.	Lewis and Clark Bicentennial (OTO)											
31,847	0	0	0	0	31,847	31,715	0	0	0	0	0	31,715
2.	Library Program (02)											
585,836	2,808	0	59,447	0	648,091	588,810	2,808	0	59,518	0	0	651,136
a.	Equipment to Read and Print Microfilm (Biennial/OTO)											
6,000	0	0	0	0	6,000	0	0	0	0	0	0	0
3.	Museum Program (03)											
282,182	251,533	0	7,618	0	541,333	284,383	253,151	0	7,618	0	0	545,152
4.	Publications (04)											

	Fiscal 2002				Fiscal 2003							
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
5.												

Item 1 includes a reduction in general fund money of \$5,278 in fiscal year 2002 and \$5,278 in fiscal year 2003. This is a reduction in travel funding. The agency may reallocate this reduction in funding among programs when developing 2003 biennium operating plans.

Item 1 includes a reduction of \$9,453 in fiscal year 2002 and \$9,483 in fiscal year 2003 of general fund money. The society may reallocate this reduction in funding among programs when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

The legislative intent of item 2a is to acquire equipment based on the newest available technology within the available funding limit at the time of purchase.

It is the intent of the legislature that the department of commerce use lodging facility use taxes to fund \$515,961 in fiscal year 2002 and \$511,677 in fiscal year 2003 for the Montana historical society. This would be expended as follows:

	2002	2003
Lewis and Clark Bicentennial	\$116,477	\$111,124
Scriber Curator	28,484	25,553
Scriber Rent Storage	96,000	100,000
Lewis and Clark Bicentennial Commission	200,000	200,000
Historical Interpretation	75,000	75,000

MONTANA UNIVERSITY SYSTEM, INCLUDING OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION AND EDUCATIONAL UNITS AND AGENCIES (5100)

1. OCHE -- Administration (01)

**Legislative
Services
Division**

	Fiscal 2002					Fiscal 2003						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
e.												
		Extension Service										
	4,087,026	0	0	0	0	4,087,026	4,102,993	0	0	0	0	4,102,993
f.		Montana Beef Network (Restricted/Biennial/OTO)										
	90,000	0	0	0	0	90,000	90,000	0	0	0	0	90,000
g.		Forestry and Conservation Experiment Station										
	897,428	0	0	0	0	897,428	900,784	0	0	0	0	900,784
h.		Bureau of Mines and Geology										
	1,533,807	600,000	0	0	0	2,133,807	1,538,621	666,000	0	0	0	2,204,621
i.		Fire Services Training School										
	497,630	0	0	0	0	497,630	507,250	0	0	0	0	507,250
j.		Flathead Lake Biological Station -- University of Montana-Missoula (Restricted/Biennial/OTO)										
	100,000	0	0	0	0	100,000	100,000	0	0	0	0	100,000
8.		Tribal College Assistance Program (11) (Biennial)										
	100,000	0	0	0	0	100,000	0	0	0	0	0	0
9.		OCHE -- Guaranteed Student Loan (12)										
	0	0	34,668,909	0	0	34,668,909	0	0	37,372,404	0	0	37,372,404
a.		Legislative Audit (Restricted/Biennial)										
	0	0	4,379	0	0	4,379	0	0	4,378	0	0	4,378
10.		OCHE -- Board of Regents (13)										
	43,631	0	0	0	0	43,631	43,631	0	0	0	0	43,631
Total												
135,330,949	12,832,248	45,896,799	0	0	0	194,059,996	138,235,406	13,066,460	47,095,890	0	0	198,397,756

Items 1 through 3 and 5 through 7b are a single biennial lump-sum appropriation.

Total audit costs of the office of the commissioner of higher education are estimated to be \$35,514.

Fiscal 2002

General Fund	State Special Revenue	Federal			Proprietary	Total
		Special Revenue	Special Revenue	Special Revenue		

Fiscal 2003

General Fund	State Special Revenue	Federal			Proprietary	Total
		Special Revenue	Special Revenue	Special Revenue		

Item 1 includes a reduction in general fund money of \$11,255 in fiscal year 2002 and \$11,255 in fiscal year 2003. This reduction is the equivalent of a 17% reduction in fiscal year 2000 base budget travel expenses. The agency may reallocate this reduction in funding among programs when developing 2003 biennium operating plans.

Total Summitnet costs are estimated to be \$25,000 each year for the community colleges. The general fund appropriation for the community colleges provides 53% of the total Summitnet costs. The remaining 47% of these costs must be paid from funds other than those appropriated in item 4. Summitnet costs for each year may not exceed \$8,000 each for Dawson and Miles community colleges and \$9,000 for Flathead Valley community college.

The general fund appropriation in item 4 is calculated to fund education in the community colleges for an estimated 2,030 resident FTE students in fiscal year 2002 and 2,040 resident FTE students in fiscal year 2003. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated number for the biennium, the commissioner of higher education shall revert \$2,792 in general fund money to the state for each estimated FTE student who did not enroll.

Total audit costs are estimated to be \$64,000 for the community colleges for the biennium. The general fund appropriation for each community college provides 53% of the total audit costs in fiscal year 2002. The remaining 47% of these costs must be paid from funds other than those appropriated in item 4a. Audit costs for the biennium may not exceed \$20,000 each for Dawson and Miles community colleges and \$24,000 for Flathead Valley community college.

Item 7 includes a reduction of \$779,826 in fiscal year 2002 and \$782,537 in fiscal year 2003 of general fund money. The board of regents may reallocate this reduction in funding among university system units, as defined in 17-7-102(13), when developing 2003 biennium operating plans. The office of budget and program planning shall provide a report that details reallocation to the legislative finance committee by October 15 of each fiscal year.

The decision of the legislature to deny funds for initiatives or budget requests proposed by the governor and the board of regents for the 2003 biennium does not imply an intent to prohibit the board of regents from implementing those initiatives unless specifically stated otherwise in [this act].

The general fund and millage appropriation in item 7 is calculated to fund education in the 4-year units and the colleges of technology for an estimated 25,004 resident FTE students in fiscal 2002 and 25,207 resident FTE students in fiscal 2003. If actual resident student enrollment is greater than the estimated number for the biennium, the university system shall serve the additional students without a state general fund contribution. If actual resident student enrollment is less than the estimated number for the biennium, the commissioner of higher education shall revert \$1,914 in general fund money to the state for each estimated FTE student who did not enroll.

Revenue appropriated to the Montana university system units and colleges of technology includes:

- (1) state special revenue from interest earnings of \$1,913,590 each year of the 2003 biennium;
- (2) tuition revenue of \$110,420,878 in fiscal year 2002 and \$109,775,339 in fiscal year 2003; and
- (3) other revenue of \$1,013,738 each year of the 2003 biennium.

[illegible]

These amounts are appropriated for current unrestricted operating expenses as a biennial lump-sum appropriation and are in addition to the funds shown in item 7.

Item 7 includes \$428,660 in each year of the biennium that must be transferred to the energy conservation program account and used to retire the general obligation bonds sold to fund energy improvements through the state energy conservation program. The costs of this transfer in each year of the biennium are: university of Montana-Missoula, \$201,100; Montana tech of the university of Montana, \$28,000; Montana state university-northern, \$97,000; Montana state university-Billings, \$91,800; and western Montana college of the university of Montana, \$10,760.

Item 7 includes a total of \$44,253 of general fund money for the 2003 biennium for the Montana natural resources information system (NRIS). The Montana university system shall pay an additional \$44,253 for the 2003 biennium in current funds in support of NRIS. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated.

Item 7 includes increases of \$194,088 of general fund money in fiscal year 2002 and of \$194,088 of general fund money in fiscal year 2003 and reductions of \$194,088 of state special revenue in fiscal year 2002 and of \$194,088 of state special revenue in fiscal year 2003 that are contingent upon passage and approval of House Bill No. 124.

Total audit costs are estimated to be \$681,092 for the university system other than the office of the commissioner of higher education. Each unit shall pay a percentage of these costs from funds other than those appropriated in item 7a.

Item 7b is intended by the legislature to be used to increase state support for resident student FTE at the university units each year of the 2003 biennium.

University system unit is defined in 17-7-102(13). For all university system units, except the office of the commissioner of higher education, all funds (other than plant funds appropriated in House Bills No. 5 and 14, relating to long-range building, and current unrestricted operating funds) are appropriated contingent on approval of the comprehensive program budget by the board of regents by October 1 of each year. For all university system 4-year units and colleges of technology, all funds, other than funds appropriated in House Bills No. 5 and 14 for long-range building programs, are appropriated as a lump sum for the biennium contingent upon approval of the comprehensive program budget by the board of regents by October 1 of each year. The board of regents shall allocate the appropriations to the individual units according to board policy. The budget must contain detailed revenue and expenditure and anticipated fund balances of current funds, loan funds, endowment funds, and plant funds. After the board of regents approves operating budgets, transfers between units may be made only with the approval of the board of regents. Transfers and related justifications must be submitted to the office of budget and program planning and to the legislative fiscal analyst.

All university system units, except the office of the commissioner of higher education, shall account for expenditures consistently within programs and funds across all units and shall use the standards of accounting and reporting, as described by the national college and university business officers, as a minimum for achieving consistency.

The Montana university system, except the office of the commissioner of higher education and the community colleges, shall allow the office of budget and program planning and the legislative fiscal division banner access to the entire university system's banner information system, including data warehouses, except:

Fiscal 2002

General	State	Federal
Fund	Special	Special
	Revenue	Revenue
		Propri-
		etary

Other

Total

Fiscal 2003

State	Federal
Special	Special
Revenue	Revenue
	Propri-
	etary

Other

Total

(1) the ability to change data;

(2) portions of the banner information system that are the property of third parties (such as alumni associations or foundations); and

(3) information pertaining to individual students or individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, or the Family Educational Rights and Privacy Act of 1974, 20 U.S.C. 1232g.

Subsections (1) through (3) in no way limit the power of the legislative fiscal analyst or the budget director to receive and examine copies of any state government information, including confidential records, in accordance with 5-12-303 and 17-1-132.

All financial data recorded in the various funds in banner must agree with the financial data as recorded on the statewide accounting, budgeting, and human resources system (SABHRS), including:

(1) all statutory and restricted appropriations must be clearly segregated on SABHRS; and

(2) the budgeted personal services for current unrestricted operating funds on banner must tie to the operating plan for expenditure of funds appropriated in [this act] and other bills, as approved by the board of regents.

The Montana university system shall provide the electronic data required to upload human resource data for the current unrestricted operating funds into the MBARS system. The salary and benefit data provided must reflect approved board of regents operating budgets.

Revenue appropriated to the agricultural experiment station includes:

(1) state special revenue from interest earnings and other revenue of \$184,239 in fiscal year 2002 and \$184,705 in fiscal year 2003;

(2) federal revenue of \$2,022,369 in fiscal year 2002 and \$2,030,499 in fiscal year 2003; and

(3) proprietary revenue from sales of \$937,627 in fiscal year 2002 and \$942,135 in fiscal year 2003. These amounts are appropriated for current unrestricted operating expenses and are in addition to the funds shown in item 7c.

The general fund money in item 7d is appropriated with the condition that, prior to the expenditure of the general fund money, the Montana agricultural experiment station collect \$140,000 of private, nonpublic money each year of the 2003 biennium for the purpose of supporting the institute for biobased products and food science.

Revenue appropriated to the extension service includes:

(1) state special revenue from interest earnings of \$46,892 in fiscal year 2002 and \$47,070 in fiscal year 2003; and

(2) federal revenue of \$2,268,928 in fiscal year 2002 and \$2,278,065 in fiscal year 2003. These amounts are appropriated for current unrestricted operating expenses and are in addition to the funds shown in item 7e.

General fund money of \$90,000 each year of the 2003 biennium in item 7f is a biennial, one-time-only appropriation for one staff person and for expenses for the Montana

	Fiscal 2002				Fiscal 2003							
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary				
					Total	Other	Total	Other				
beef network within the extension service.												
Interest revenue of \$4,923 in each year of the 2003 biennium is appropriated to the forestry and conservation experiment station for current unrestricted operating expenses. This amount is in addition to that shown in item 7g.												
Proprietary revenue of \$27,310 each year of the 2003 biennium is appropriated to the bureau of mines and geology for current unrestricted operating expenses. This amount is in addition to that shown in item 7h.												
Interest revenue of \$4,097 each year of the 2003 biennium is appropriated to the fire services training school for current unrestricted operating expenses. This amount is in addition to that shown in item 7i.												
TOTAL SECTION E	640,180,352	15,817,277	153,837,683	920,333	0	810,755,645	652,310,748	21,101,267	157,650,909	921,915	0	831,984,839
TOTAL STATE FUNDING	1,186,326,635	409,945,792	1,370,342,465	13,458,781	933,055	2,981,006,728	1,132,519,329	373,711,500	1,387,282,333	13,402,745	933,055	2,907,848,962

Section 17. Rates. Internal service fund type fees and charges established by the legislature for the 2003 biennium in compliance with 17-7-123(6)(b) are as follows:

Fiscal Year 2002 Fiscal Year 2003

Secretary of State - 3201

1. Administrative Rules of Montana Fees

a. Administrative Rules of Montana (per set)	\$350.00	\$350.00
b. Quarterly Updates of ARM (per year)	\$250.00	\$250.00
c. Extra Titles (per book)	\$50.00	\$50.00
d. Quarterly Updates of Extra Titles (per year per title)	\$50.00	\$50.00
e. Montana Administrative Register (per subscription)	\$300.00	\$300.00
f. Agency Filing Fee for Pages of Register Publication (per page)	\$40.00	\$40.00
g. Binders (per binder)	\$5.00	\$5.00
h. Lapsed Subscription Fee ARM (per subscription)	\$50.00	\$50.00
i. Lapsed Subscription Fee Extra Title (per title)	\$10.00	\$10.00
j. Fax Fee - 10 Pages or Less (first 10 pages)	\$3.00	\$3.00
k. Fax Fee - Additional Pages Over 10 Pages (per page)	\$0.25	\$0.25
l. Research Fee (per hour)	\$12.00	\$12.00
m. Set Cleanup Fee (per hour)	\$12.00	\$12.00
n. Missing Page Fee (per page up to cost of set)	\$0.50	\$0.50
o. Rule Edit Fee (per hour)	\$15.00	\$15.00
p. Late Filing Fee (less than 2 hours) (per occurrence)	\$5.00	\$5.00
q. Late Filing Fee (2 hours to 4 hours) (per occurrence)	\$10.00	\$10.00
r. Late Filing Fee (more than 4 hours) (per occurrence)	\$25.00	\$25.00

2. Records Management Fees (based on 2-6-203)

a. 16MM Microfilm		
Less than 250,000	\$38.58	\$38.58
Nontypical extreme weight and size	\$38.58	\$38.58

8" x 11"; 8" x 14" paperwork	\$30.00	\$30.00
8" x 11"; 8" x 14" computer printout	\$30.00	\$30.00
Extreme size and weight variance	\$31.50	\$31.50
Cards - fixed weight and color	\$15.75	\$15.75
Cards - mixed weight and color	\$26.25	\$26.25
b. 35MM Microfilm		
L (per 12" x 12") aerial photos	\$68.25	\$68.25
16" x 20" bound books	\$63.00	\$63.00
24" x 34" newspapers	\$115.50	\$115.50
24" x 34" bound newspapers	\$136.50	\$136.50
48" x 48" blueprints/maps	\$288.75	\$288.75
c. 105MM Microfilm		
8" x 11" paperwork	\$68.25	\$68.25
8" x 11"; 8" x 14" computer printout	\$77.17	\$77.17
Cards (per 1,000)	\$77.17	\$77.17
Minimum filing charge	\$37.50	\$37.50
d. Film Processing		
16mm, 100 foot roll	\$3.62	\$3.62
16mm, 215 foot roll	\$7.10	\$7.10
35mm, 100 foot roll	\$6.35	\$6.35
16mm, 3M cartridges	\$4.73	\$4.73
e. Film Inspecting		
100 foot roll inspection (per roll)	\$3.65	\$3.65
215 foot roll inspection (per roll)	\$5.23	\$5.23
Film splicing	\$0.79	\$0.79
3M cartridge loading	\$2.25	\$2.25

f. Duplication

16mm, 100 foot roll (per roll)	\$6.81	\$6.81
16mm, 215 foot roll (per roll)	\$13.03	\$13.03
35mm, 100 foot roll (per roll)	\$9.21	\$9.21
105mm, microfiche or jackets	\$0.16	\$0.16
Reader/printer copies	\$0.50	\$0.50
Photocopies/own labor	\$0.10	\$0.10
Photocopies/our labor	\$0.50	\$0.50
16mm, 100 foot roll (per roll)	\$9.92	\$9.92
35mm, 100 foot roll (per roll)	\$14.54	\$14.54

g. Jacket Loading

16mm, 5 channel jacket	\$0.3150	\$0.3150
Agency's own jacket	\$0.2887	\$0.2887
35mm, 1 and 2 channel jacket	\$0.3150	\$0.3150
Loading 16mm aperture card	\$0.2625	\$0.2625
Jacket title	\$0.2625	\$0.2625
Jacket notching	\$0.0525	\$0.0525

h. Miscellaneous

Fiche title (per title)	\$0.2625	\$0.2625
Indexing and document prep/hour (per hour)	\$18.00	\$18.00
Camera rental (per day)	\$95.00	\$95.00

i. Supplies

NMI reader bulbs (per bulb)	\$10.75	\$10.75
16mm, 100 foot roll film (per roll)	\$6.68	\$6.68
16mm, 215 foot roll film (per roll)	\$12.95	\$12.95
35mm, 100 foot roll film (per roll)	\$13.95	\$13.95

j. Records Center Services

Storage (per square foot per month)	\$0.2565	\$0.2565
Storage (per cubic foot per month)	\$0.295	\$0.295
Retrievals (per occurrence)	\$1.50	\$1.50
Emergency retrievals (per occurrence)	\$6.25	\$6.25
Large retrievals, delivery, interfiling (per occurrence)	\$22.50	\$22.50
Records disposal (per hour)	\$22.50	\$22.50
Shredding confidential records (per hour)	\$23.05	\$23.05

k. Records Center Boxes

Records storage boxes: standard size A (per box)	\$1.34	\$1.34
Drawing and map storage boxes: size C (per box)	\$1.34	\$1.34

l. Imaging Services

Imaging (per image)	\$0.055	\$0.055
Indexing and document preparation (per hour)	\$18.00	\$18.00

Department of Transportation - 5401

1. State Motor Pool

a. Class 02 (small utilities)		
per hour assigned	\$1.597	\$1.600
per mile operated	\$0.022	\$0.022
b. Class 04 (large utilities)		
per hour assigned	\$2.116	\$2.335
per mile operated	\$0.056	\$0.056
c. Class 06 (passenger cars)		
per hour assigned	\$1.501	\$1.643
per mile operated	\$0.054	\$0.054
d. Class 07 (small and standard size pickups)		

per hour assigned	\$1.270	\$1.260
per mile operated	\$0.030	\$0.030
e. Class 11 (large 4X4 pickups)		
per hour assigned	\$1.832	\$2.334
per mile operated	\$0.056	\$0.056
f. Class 12 (vans)		
per hour assigned	\$1.449	\$1.632
per mile operated	\$0.071	\$0.071

2. Equipment Program

a. 60-Day Working Capital

Department of Revenue - 5801

1. Customer Service Center

a. Delinquent Account Collection Fee (percent of amount collected)

10.0% 10.0%

Department of Administration - 6101

1. Accounting and Management Support

a. Legal Services Unit

Teachers' Retirement

20% 20%

Employee Benefits Program

26% 26%

Risk Management and Tort Defense

2% 2%

General Services Division

7% 7%

Architecture and Engineering

18% 18%

Information Services Division

27% 27%

Total

100% 100%

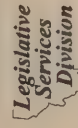
b. Network Support Unit

Programming cost

60-day working capital reserve

Computer support (per computer)

\$714 \$732



Server support (per server)	\$1,072	\$1,098
c. Warrant Writing (per warrant)		
Mailer warrants	\$0.6170	\$0.6145
Nonmailers	\$0.2080	\$0.2055
Emergency warrant	\$4.1329	\$4.1320
Duplicate warrant	\$5.6632	\$5.6624
Direct deposits	\$0.1671	\$0.1660
Externals - printed from an outside system	\$0.1850	\$0.1825
d. Personnel Unit		
Allocation to supported divisions (per FTE basis)	\$88,262	\$92,691
e. SB 445 Indirect Costs - The department is authorized to spend up to \$294,208 in fiscal year 2002 and \$296,509 in fiscal year 2003 (proprietary funds) to implement the reorganization specified in Senate Bill No. 445.		

2. Procurement and Printing

a. Publications and Graphics	60-day working capital reserve	
b. Central Stores	60-day working capital reserve	
c. Natural Gas Procurement	break-even (no reserve)	
d. Statewide Fueling Network (percent of gross purchases)	5.0%	5.0%
e. Statewide Procurement Card Program (per card)	\$1.00	\$1.00

3. Information Services Division

a. Data Network Fee (per connected terminal per month)	\$72.60	\$72.60
b. Statewide Accounting, Budgeting, and Human Resources System (SABHRS) Allocation to Agencies	\$4,168,460	\$4,211,734

c. All Remaining Operations of the Division

45-day working capital reserve

4. General Services Division

a. Office Space Rent (per square foot)	\$4.77	\$4.88
b. Warehouse Space Rent (per square foot)	\$2.12	\$2.12

5. Mail and Distribution Bureau

- a. Interagency Mail (total amount allocated to agencies)
- b. All Other Operations Except for Interagency Mail

\$171,655 \$171,655
60-day working capital reserve

6. State Personnel Division

- a. Intergovernmental Training (per hour)
- b. State Payroll Unit (total amount allocated to agencies)
- c. Employee Benefits Program - Because state employee benefit plans require a large number of individual premiums for a variety of benefit options, because the portion

\$113 \$113
\$356,958 \$356,248

of the premiums paid by the state is statutorily established in 2-18-703, and because the employee-paid portion of these premiums must be adjusted from time to time to meet the requirements of 2-18-812(1) to maintain state employee group benefit plans on an actuarially sound basis, the legislature defines "rates and fees" for state employee benefit programs to mean the state contribution toward employee group benefits provided for in 2-18-703 and the employee contribution toward employee group benefits necessary to meet the requirements of 2-18-812(1).

7. Risk Management and Tort Defense

- a. General Liability (total allocation to agencies)
- b. Automobile Liability (total allocation to agencies)
- c. Property (total allocation to agencies)
- d. Airport/Aircraft (total allocation to agencies)
- e. All Other Lines (total allocation to agencies)

\$5,362,500 \$5,775,000
\$1,137,500 \$1,225,000
\$1,200,500 \$1,270,930
\$116,567 \$128,222
\$239,413 \$258,508

Fish, Wildlife & Parks - 5201

1. Administration and Finance (% markup)

- a. Warehouse Overhead

14% 14%

2. Vehicle Account Rates Per Mile

- a. Sedans
- b. Suburban - 4x4
- c. Vans 1/2 Ton
- d. Vans 1/2 Ton Window
- e. Pickup 1/2 Ton 2x4

\$0.20 \$0.24
\$0.33 \$0.35
\$0.18 \$0.21
\$0.27 \$0.32
\$0.33 \$0.34

f. Pickup 3/4 Ton 4x4 V8	\$0.20	\$0.22
g. Grounds Maintenance	\$0.75	\$0.85
h. Bronco 4x4	\$0.24	\$0.28
i. Pickup 1/2 Ton 4x4	\$0.27	\$0.34
j. Pickup 3/4 Ton 4x4 HD	\$0.30	\$0.35
k. Pickup 3/4 Ton 4x4 HD XC	\$0.35	\$0.38
l. Pickup 1 Ton 4x4	\$0.33	\$0.37
m. Pickup 3/4 Ton 4x4 MD	\$0.24	\$0.27
n. Pickup 3/4 Ton 4x4 MD XC	\$0.29	\$0.33
o. Pickup 1/2 Ton 4x4 LD XC	\$0.29	\$0.33
3. Aircraft Per Hour Rates		
a. Two-Place Single Engine	\$ 54.02	\$ 56.72
b. Partnavia	\$257.24	\$270.10
c. Turbine Helicopters	\$313.58	\$329.26
4. Parks – Capitol Grounds Maintenance	\$0.3696/sq. ft.	\$0.3696/sq. ft.
5. Duplicating – Number of Copies (includes paper)		
a. 1-20	\$0.050	
b. 21-100	\$0.030	\$0.035
c. 101-1000	\$0.025	\$0.030
d. 1001-5000	\$0.020	\$0.025
6. Bindery		
a. Collating (per sheet)	\$0.005	\$0.005
b. Hand Stapling (per set)	\$0.015	\$0.015
c. Saddle Stitch (per set)	\$0.030	\$0.030
d. Folding (per sheet)	\$0.005	\$0.005
e. Punching (per sheet)	\$0.001	\$0.001

f. Cutting (per minute) \$0.550 \$0.550

Department of Environmental Quality - 5301

1. Central Management

a. Expenses Against Personal Services 24% 24%

Department of Natural Resources and Conservation - 5706

1. Air Operations Program

a. Fixed Wing \$95 \$95
b. Bell 206A Helicopter \$355 \$355
c. UH-1 Huey Helicopter \$875 \$875

Department of Commerce - 6501

1. Local Government Services Bureau

a. Local Government Assistance Administration Recharge 1.70% 1.70%

2. Board of Investments

For purposes of [this act], the legislature defines "rates" as the total collections necessary to operate the board of investments as follows:

a. Administration Charge (total) \$2,860,200 \$2,805,200

3. Director's Office/Management Services

a. Management Services Indirect Charge Rate 15.50% 15.50%

Department of Justice - 4110

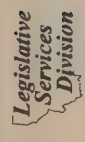
1. Agency Legal Services

a. Attorney (per hour) \$70 \$70
b. Investigator/Paralegal (per hour) \$38 \$38

Department of Corrections - 6401

1. Secure Facilities

a. Cook/chill rate to MSP \$1.80/meal \$1.78/meal
b. Cook/chill rate to MSH \$1.83/meal \$1.82/meal
c. Cook/chill rate to TSCTC \$1.83/meal \$1.81/meal



d. Cook/chill rate to Riverside	\$2.79/meal	\$2.86/meal
e. Cook/chill rate to DUI facility	\$1.86/meal	\$1.84/meal
f. Cook/chill rate to Helena prerelease	\$2.43/meal	\$2.47/meal
2. Montana Corrections Enterprises		
a. Laundry rate to MSP	\$0.39/lb	\$0.39/lb
b. Laundry rate to MSH	\$0.38/lb	\$0.38/lb
c. Laundry rate to MDC	\$0.46/lb	\$0.46/lb
Department of Labor and Industry - 6602		
1. Centralized Services Division		
a. Cost Allocation Plan	9.44%	10.14%
2. Professional and Occupational Licensing		
a. House Bill No. 2 Programs Recharge Rate	38%	38%
Office of Public Instruction - 3501		
1. OPI Indirect Cost Pool	17%	17%
2. Advanced Driver Education		
a. Workshop Fees		
Full-day workshop/person	\$175.00 - \$200.00	
Half-day refresher/person	\$115.00 - \$125.00	
b. Facility Usage Fees		
Montana state government/day	\$85.00	
High school driver education		
Per year when track not in use	\$500.00	
Per day after hours and not in use	\$25.00	
Private nonprofit/day	\$200.00	
Commercial use/day	\$1,500.00 - \$2,000.00	
MONTANA UNIVERSITY SYSTEM - 5100		

Because certain employee benefit plans require a large number of individual premiums for a variety of benefit options, because the portion of these premiums paid by the state is statutorily established in 2-18-703, and because the employee-paid portion of these premiums must be adjusted from time to time to maintain employee group benefit plans on an actuarially sound basis, the legislature defines rates and fees for Montana university system employee benefit programs to mean the state contribution toward employee group benefits provided for in 2-18-703 and the employee contribution toward employee group benefits necessary to maintain the employee group benefit plans on an actuarially sound basis.

-End-

GENERAL GOVERNMENT AND TRANSPORTATION

Section A

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE COMMITTEES

-----Agencies-----

Legislative Branch
Legislative Audit Division
Legislative Fiscal Division
Legislative Services Division
Consumer Counsel
Judiciary
Montana Chiropractic Legal Panel
Governor's Office

Secretary of State
Commissioner of Political Practices
State Auditor
Transportation
Revenue
Administration
Appellate Defender Commission

-----Committee Members-----

House

Representative Bob Davies (Chair)
Representative John Brueggeman
Representative Monica Lindeen

Senate

Senator Jack Wells (Vice-Chair)
Senator Corey Stapleton
Senator Bea McCarthy

-----Fiscal Division Staff-----

Greg DeWitt
Dave Brown

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	125.27	0.00	0.00	125.27	0.00	0.00	130.44	130.44
Personal Services	6,081,445	355,049	0	6,436,494	354,762	0	6,436,207	12,872,701
Operating Expenses	2,638,316	953,902	58,403	3,650,621	50,566	0	2,688,882	6,339,503
Equipment	125,954	(25,954)	0	100,000	(25,954)	0	100,000	200,000
Total Costs	\$8,845,715	\$1,282,997	\$58,403	\$10,187,115	\$379,374	\$0	\$9,225,089	\$19,412,204
General Fund	6,729,738	1,029,457	58,403	7,817,598	742,691	0	7,472,429	15,290,027
State/Other Special	2,115,977	253,540	0	2,369,517	(363,317)	0	1,752,660	4,122,177
Total Funds	\$8,845,715	\$1,282,997	\$58,403	\$10,187,115	\$379,374	\$0	\$9,225,089	\$19,412,204

Agency Description

The Legislative Branch consists of the legislature and supporting staff divisions as provided in Title 5-2-503, MCA. The principal agency entities are the Senate, the House of Representatives, the Legislative Services Division, the Legislative Fiscal Division, and the Legislative Audit Division. This budget is only for the three staff divisions and legislative interim work. The budget for legislative sessions is in the "feed bill".

Summary of Legislative Action

The budget for the legislative branch increases by \$1.8 million, or 10.5 percent over the 2001 biennium level. General fund increases \$1.6 million or 11.4 percent. Biennial increases in the Legislative Branch budget from the fiscal 2000 base are entirely present law adjustments including: 1) personal services increases for vacancy savings and annualization of the 2003 biennium pay plan; 2) cyclical costs of a legislative session year to support the legislature (these costs are maintained at the current biennium funding level, but show an increase since they are not included in the non-session base year); 3) significant fixed costs assessment increases by service-providing agencies for such fee-based central services as payroll, computer services, and rent (rent is up significantly based on Capitol restoration); and 4) costs of providing information technology services to the legislature and staff divisions (significant increases for maintenance/upgrades and development of analytical interfaces with new statewide legacy reporting systems). The only new proposals approved for the branch were to fund specific interim studies approved by the 57th Legislature.

Other Legislation

Study Resolutions and Interim Studies - The legislature passed several bills containing study resolutions requesting specific interim studies. These studies will be prioritized by legislative direction, and available staff and funding. As many studies as possible will be completed during the interim period based on other legislative interactive changes and events. The Legislative Council voted at its May 2001 meeting to assign or recommend all interim studies to committees except for the HJR 15 and HJR 24 studies. The following summarizes legislation and interim study resolutions:

Resolutions

- House Joint Resolution 1 - HJR 1 requests an interim study of Mental Health Managed Care including creation of a Legislative Finance Committee subcommittee to study this issue
- House Joint Resolution 8 - HJR 8 requests an interim study on election reform
- House Joint Resolution 15 - HJR 15 requests an interim study of community college laws
- House Joint Resolution 21 - HJR 21 requests an interim study of the management of forest fuels with emphasis on the issue of air quality concerns during open burning
- House Joint Resolution 24 - HJR 24 requests an interim study of annexation laws
- House Joint Resolution 27 - HJR 27 requests an interim study of the Environmental Quality Council oversight for Environmental Impact Statements on proposed coal-bed natural gas resources development
- House Joint Resolution 35 - HJR 35 requests an interim study by the Education and Local Government Interim Committee of prepaid college tuition

- House Joint Resolution 37 - HJR 37 requests an interim study of bicycle safety in regard to highway planning, design, and use
- House Joint Resolution 39 - HJR 39 requests an interim study of criminal statutes
- House Joint Resolution 40 - HJR 40 requests an interim study of the use of the pre-professional skills test in teacher licensure
- House Joint Resolution 41 - HJR 41 requests an interim study of the transfer of territory between school districts
- House Joint Resolution 42 - HJR 42 requests an interim study on the methodology of funding wildland fire suppression
- Senate Joint Resolution 5 - SJR 5 requests an interim study on veteran's issues
- Senate Joint Resolution 6 - SJR 6 requests an interim study of traffic codes
- Senate Joint Resolution 8 - SJR 8 requests an interim study of the privatization of foster care and adoption
- Senate Joint Resolution 21 - SJR 21 requests an interim study of nonagricultural land
- Senate Joint Resolution 22 - SJR 22 requests an interim study of health insurance and rising health care costs
-

Interim Studies and other Legislation

- House Joint Resolution 34 - HJR 34 requests an interim study of unfunded leave liability of state employees
- House Bill 2 - HB 2 requires: 1) an interim study on vacancy savings and personal services alternatives; 2) regular OBPP reporting on energy management efforts; 3) regular DOR reports on the status of the POINTS system; 4) a DOR actuarial study of the Police Retirement Fund; 5) DPHHS studies on the cost of raising children in Montana, regular reports on comparable service rates, regular reports on TANF grant expenditures, and a report on applying income criteria on developmental disability services; 6) FWP reports on project expenditures and dedicated FTE, and use of lodging facility use tax; 7) a DEQ liability study on release of petroleum tank compensation; 8) DOL summary reports on the cost of bison control management in all departments; 9) regular DNRC reports on progress of the flood damage project; 10) a DOLI report on fleet management; 11) a DOA report on additional online terminals; and 12) a State Library report on projects and their expenditures. This bill contains necessary funding over the 2003 biennium (already included in HB 2)
- House Bill 144 - HB 144 requires the Legislative Services Division to implement a statewide legislative proceedings broadcasting service. This bill contains \$1.3 million in state special revenue funding over the 2003 biennium derived from an increase in the state lobbyist fee
- House Bill 625 - HB 625 requires a K-12 education funding study. This bill provides \$10,000 general fund over the 2003 biennium to the Legislative Services Division and another \$10,000 to the Office of Public Instruction
- Senate Bill 10 - SB 10 authorizes expansion of interim committee duties including review of proposed legislation, clearinghouse functions, and the operation of a state-tribal relations interim committee
- Senate Bill 11 - SB 11 requires statewide participation in the Pacific Northwest Economic Region. Membership dues have been waived and there is no fiscal impact
- Senate Bill 162 - SB 162 requires a review, by the Legislative Fiscal Committee of revenue dedicated to local governments

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg - Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg - Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	125.27	125.27	125.27	0.00	130.44	130.44	0.00	
Personal Services	6,081,445	6,729,120	6,436,494	(292,626)	6,703,586	6,436,207	(267,379)	(560,005)
Operating Expenses	2,638,316	3,924,001	3,650,621	(273,380)	3,192,313	2,688,882	(503,431)	(776,811)
Equipment	125,954	100,000	100,000	0	175,247	100,000	(75,247)	(75,247)
Total Costs	\$8,845,715	\$10,753,121	\$10,187,115	(\$566,006)	\$10,071,146	\$9,225,089	(\$846,057)	(\$1,412,063)
General Fund	6,729,738	8,321,531	7,817,598	(503,933)	8,258,442	7,472,429	(786,013)	(1,289,946)
State/Other Special	2,115,977	2,431,590	2,369,517	(62,073)	1,812,704	1,752,660	(60,044)	(122,117)
Total Funds	\$8,845,715	\$10,753,121	\$10,187,115	(\$566,006)	\$10,071,146	\$9,225,089	(\$846,057)	(\$1,412,063)

Executive Budget Comparison

The legislature approved a budget that is \$1.4 million less than the original Legislative Branch request. Reductions were attributed to: 1) elimination of all new proposals, including legislative participation in the National Council of State Legislatures (NCSL) and the Council of State Governments (CSG), and elimination of a proposal to establish the capacity to Internet broadcast legislative proceedings; and 2) application of a 4 percent vacancy savings rate.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	49.50	0.00	0.00	49.50	0.00	0.00	54.67	54.67
Personal Services	2,473,993	25,700	0	2,499,693	118,933	0	2,592,926	5,092,619
Operating Expenses	2,048,542	512,873	0	2,561,415	247,557	0	2,296,099	4,857,514
Equipment	125,954	(25,954)	0	100,000	(25,954)	0	100,000	200,000
Total Costs	\$4,648,489	\$512,619	\$0	\$5,161,108	\$340,536	\$0	\$4,989,025	\$10,150,133
General Fund	3,650,692	605,063	0	4,255,755	907,595	0	4,558,287	8,814,042
State/Other Special	997,797	(92,444)	0	905,353	(567,059)	0	430,738	1,336,091
Total Funds	\$4,648,489	\$512,619	\$0	\$5,161,108	\$340,536	\$0	\$4,989,025	\$10,150,133

Program Description

The Legislative Services Division provides research, reference, legal, technical, information technology, and administrative support services to the House, Senate, and other divisions of the Legislative Branch. Division services include: 1) bill and amendment drafting, preparation of bills for introduction, and engrossing and enrolling bills; 2) publication of legislative documents of record; 3) provision of legislative research and reference services, legal counseling on legislative matters, and agency legal support; 4) agency management and business services; 5) planning, installation, and maintenance of the agency computer network and applications; 6) legislative committee staffing and support; 7) preparation, publication, and distribution of the Montana Code Annotated text and annotations; 8) review of the text of proposed ballot measures; and 9) provision of legislative information to the public. The Legislative Council provides policy guidance to the Legislative Services Division.

Funding

The Legislative Services program is funded by general fund except for state special revenue appropriations that support costs associated with the preparation, publication, and distribution of Montana Code Annotated text and annotations. For the 2003 biennium, \$8.8 million general fund provides 87 percent of division funding, and \$1.3 million state special revenue provides 13 percent of the division's budget.

Present Law Adjustments									
Fiscal 2002					Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				129,854					208,972
Vacancy Savings				0					0
Inflation/Deflation				(22,210)					(21,011)
Fixed Costs				138,465					218,294
Total Statewide Present Law Adjustments				\$246,109					\$406,255
DP 696 - Data Network Fixed Cost Reduction	0.00	(1,922)	0	(1,922)	0.00	(2,938)	0	0	(2,938)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(31,309)	0	(31,309)	0.00	(31,417)	0	0	(31,417)
DP 699 - Vacancy Savings at 4 Percent	0.00	(91,654)	(12,500)	(104,154)	0.00	(99,039)	(9,000)	0	(108,039)
DP 2001 - Legislative Session Costs	0.00	0	0	0	0.00	55,800	0	0	55,800
DP 2002 - Montana Codes Production	0.00	0	49,538	49,538	0.00	0	(338,474)	0	(338,474)
DP 2003 - Legislative Computer Systems Plan	0.00	253,023	0	253,023	0.00	261,215	0	0	261,215
DP 2004 - Systems Support of Codes Production	0.00	0	101,334	101,334	0.00	0	98,134	0	98,134
Total Other Present Law Adjustments	0.00	\$128,138	\$138,372	\$0	0.00	\$183,621	(\$249,340)	\$0	(\$65,719)
Grand Total All Present Law Adjustments				\$512,619					\$340,536

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This reduction of \$1,922 in fiscal 2002 and \$2,938 in fiscal 2003 removes the corresponding fixed costs from the agency budget.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. This includes reductions of \$31,309 in fiscal 2002 and \$31,417 in fiscal 2003. Capital Land Grant funds are used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved applying the statewide vacancy savings rate of 4 percent to the Legislative Branch including the state share of health insurance premiums in the calculation for determining the amount. This produced a \$212,193 reduction in funding for the Legislative Services Division, (including \$190,693 general fund and \$21,500 state special revenue).

DP 2001 - Legislative Session Costs - The legislature approved funding for a present law adjustment for cyclical costs associated with support of the 2003 legislative session. This includes \$55,800 in fiscal 2003. This funding is for cyclical requirements not reflected in even-numbered base years, and includes payment of staff overtime, temporary staffing of the bill status system, photocopy costs, and office supply costs.

DP 2002 - Montana Codes Production - The legislature reduced state special revenue by \$288,936 for the 2003 biennium to adjust for cyclical expenditure patterns associated with the production and publication of the Montana Codes Annotated.

DP 2003 - Legislative Computer Systems Plan - The legislature approved funds to maintain the legislative branch computer system plan, including use of consultants, work-study contracts, and system development and software designed to analyze and audit the state's enterprise systems, SABHRS and BANNER. This includes \$253,023 in fiscal 2002 and \$261,215 in fiscal 2003. The computing environment supports the House, the Senate, and the Services, Fiscal, and Audit Divisions. Using existing software and hardware tools, the branch will maintain the operational status of the current computer environment, streamline the Web publication process, implement ArcView software for GIS, and use PeopleSoft and BANNERS tools to integrate systems.

DP 2004 - Systems Support of Codes Production - The legislature approved funds for systems support of the Montana Codes Annotated (MCA) production. This includes \$101,334 for fiscal 2002 and \$98,134 for fiscal 2003. Adjustments include upgrading MCA production equipment, camera-ready printers, and related software. This funding will also secure a new host for the MCA database and maintain Text DBMS. This present law adjustment is funded from state special revenue funds from sale of the Montana Codes.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	0.97	0.00	0.00	0.97	0.00	0.00	0.97	0.97
Personal Services	53,512	62,982	0	116,494	(53,511)	0	1	116,495
Operating Expenses	263,447	370,828	39,403	673,678	(263,448)	0	(1)	673,677
Total Costs	\$316,959	\$433,810	\$39,403	\$790,172	(\$316,959)	\$0	\$0	\$790,172
General Fund	316,959	356,525	39,403	712,887	(316,959)	0	0	712,887
State/Other Special	0	77,285	0	77,285	0	0	0	77,285
Total Funds	\$316,959	\$433,810	\$39,403	\$790,172	(\$316,959)	\$0	\$0	\$790,172

Program Description

The Legislative Committees and Activities Program processes and monitors expenditures of various legislative committees and activities, particularly those conducted during the interim between legislative sessions. Services include: 1) limited support of interim studies and activities established under 5-5-202 through 5-5-217, MCA; 2) support of interstate cooperation activities of the legislature; and 3) support of other legislative activities.

Funding

The Legislative Committees and Activities Program is funded by general fund, with the exception of the Utility Transition Advisory Committee, which is funded by state special revenue. Funding for the 2003 biennium includes \$712,887 general fund (91 percent) and \$77,285 state special revenue (9 percent).

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				(4,566)					(4,375)
Vacancy Savings				0					0
Inflation/Deflation				827					1,379
Total Statewide Present Law Adjustments				(\$3,739)					(\$2,996)
DP 2101 - Program Operations									
0.00	328,284	0	0	328,284	0.00	(313,963)	0	0	(313,963)
DP 2102 - Districting Apportionment Commission									
0.00	31,980	0	0	31,980	0.00	0	0	0	0
DP 2103 - Utility Transition Advisory Committee									
0.00	0	77,285	0	77,285	0.00	0	0	0	0
Total Other Present Law Adjustments									
0.00	\$360,264	\$77,285	\$0	\$437,549	0.00	(\$313,963)	\$0	\$0	(\$313,963)
Grand Total All Present Law Adjustments				\$433,810					(\$316,959)

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2101 - Program Operations - The legislature approved funds, including \$328,245 in fiscal 2002 to support activities of statutory committees, interim joint subcommittees, and interstate organizational participation. This is a biennial appropriation reflecting the nature of the legislative cycle.

DP 2102 - Districting Apportionment Commission - The legislature approved funding, including \$31,980 in fiscal 2002, to allow the 15-member Districting and Apportionment Commission, in accordance with the Montana Constitution, to redistrict and apportion congressional representative and state legislative districts (required once each decade.) The legislature approved this as a one-time-only appropriation based on the 10-year cyclical requirement.

DP 2103 - Utility Transition Advisory Committee - The legislature approved continued funding for the Utility Transition Advisory Committee on electric utility industry restructuring (required by 69-8-501, MCA). It was funded in a separate bill for the 2001 biennium. This funding is state special revenue, approved as a biennial appropriation. The committee must be dissolved on the earlier of the date full transition to retail competition is completed, or December 31, 2004.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 514 - Northwest River Governance (Biennial/OTO)										
21	0.00	10,000	0	0	10,000	0.00	0	0	0	0
DP 527 - Interim Study on Health Care Access										
21	0.00	29,403	0	0	29,403	0.00	0	0	0	0
Total	0.00	\$39,403	\$0	\$0	\$39,403	0.00	\$0	\$0	\$0	\$0

New Proposals

DP 514 - Northwest River Governance (Biennial/OTO) - The legislature approved \$10,000 general fund as biennial one-time-only funding to send delegates to meetings involving Western legislators to address governance of Western rivers and waterways.

DP 527 - Interim Study on Health Care Access - The legislature provided \$29,403 general fund as a biennial appropriation for interim studies, to include the Interim Study on Health Care Access.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	18.80	0.00	0.00	18.80	0.00	0.00	18.80	18.80
Personal Services	978,955	8,191	0	987,146	14,961	0	993,916	1,981,062
Operating Expenses	53,063	1,576	19,000	73,639	39,482	0	92,545	166,184
Total Costs	\$1,032,018	\$9,767	\$19,000	\$1,060,785	\$54,443	\$0	\$1,086,461	\$2,147,246
General Fund	1,032,018	9,767	19,000	1,060,785	54,443	0	1,086,461	2,147,246
Total Funds	\$1,032,018	\$9,767	\$19,000	\$1,060,785	\$54,443	\$0	\$1,086,461	\$2,147,246

Program Description

The Legislative Fiscal Division provides the legislature with objective fiscal information and analysis relevant to Montana public policy and budget determination. Division services include: 1) fiscal analysis of state government including information bearing upon the financial matters of the state; 2) identification of methods to effect economy and efficiency in state government; 3) estimation of revenue and analysis of tax policy; 4) analysis of the executive budget; 5) analysis of fiscal information for legislators and legislative committees; and 6) staff support for legislative committees, including the preparation and processing of the General Appropriations Act. The Legislative Finance Committee provides policy guidance to the Legislative Fiscal Analyst.

Funding

The program is funded entirely by general fund.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				48,862					53,486
Vacancy Savings				0					0
Inflation/Deflation				(2,944)					(2,693)
Fixed Costs				(480)					(480)
Total Statewide Present Law Adjustments				\$45,438					\$50,313
DP 699 - Vacancy Savings at 4 Percent									
0.00	(40,671)	0	0	(40,671)	0.00	(41,025)	0	0	(41,025)
DP 2701 - Legislative Session Costs									
0.00	0	0	0	0	0.00	40,155	0	0	40,155
DP 2702 - Operating Costs									
0.00	5,000	0	0	5,000	0.00	5,000	0	0	5,000
Total Other Present Law Adjustments									
0.00	(\$35,671)	\$0	\$0	(\$35,671)	0.00	\$4,130	\$0	\$0	\$4,130
Grand Total All Present Law Adjustments				\$9,767					\$54,443

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved applying the statewide vacancy savings rate of 4 percent to the Legislative Branch and included the state share of health insurance premiums in the calculation for determining the amount. This resulted in a reduction of \$81,696 in general fund for the Legislative Fiscal Division.

DP 2701 - Legislative Session Costs - The legislature approved funds in fiscal 2003 for printing costs, support staff overtime, temporary secretarial services, document production services, and/or supplies associated with the 2003 legislative session. Significant printing costs are incurred related to budget analysis, session publications, budget summary pamphlets, and post-session reports. Cyclical expenditures are not reflected in the base year and are equal to those authorized in the 2001 biennium.

DP 2702 - Operating Costs - The legislature approved funds, including \$5,000 in fiscal 2002 and \$5,000 in fiscal 2003, for additional office supplies and to upgrade telephone equipment and services.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 519 - LFC Interim Studies (Restricted/Biennial)										
27	0.00	19,000	0	0	19,000	0.00	0	0	0	0
Total	0.00	\$19,000	\$0	\$0	\$19,000	0.00	\$0	\$0	\$0	\$0

New Proposals

DP 519 - LFC Interim Studies (Restricted/Biennial) - The legislature approved \$19,000 general fund as a restricted, biennial appropriation for Legislative Finance Committee interim studies, including funds to study mental health services (HJR 1) and to conduct an interim review of local government dedication laws (SB 162).

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	56.00	0.00	0.00	56.00	0.00	0.00	56.00	56.00
Personal Services	2,574,985	258,176	0	2,833,161	274,379	0	2,849,364	5,682,525
Operating Expenses	273,264	68,625	0	341,889	26,975	0	300,239	642,128
Total Costs	\$2,848,249	\$326,801	\$0	\$3,175,050	\$301,354	\$0	\$3,149,603	\$6,324,653
General Fund	1,730,069	58,102	0	1,788,171	97,612	0	1,827,681	3,615,852
State/Other Special	1,118,180	268,699	0	1,386,879	203,742	0	1,321,922	2,708,801
Total Funds	\$2,848,249	\$326,801	\$0	\$3,175,050	\$301,354	\$0	\$3,149,603	\$6,324,653

Program Description

The Legislative Audit & Examination Division conducts independent audits and provides factual and objective information to the legislative and executive managers of the public trust. Division services include: 1) conducting and reporting biennial financial compliance audits, performance audits, information systems audits, and special audits of state agency operations; 2) reporting of violation of statutes, instances of misfeasance, malfeasance, or nonfeasance, and shortages discovered in an audit that are covered by surety; 3) auditing records of entities under contract with the state; and 4) assisting the legislature, its committees, and its members by providing information related to the fiscal affairs of state government. The Legislative Audit Committee provides policy guidance to the Legislative Audit Division.

Funding

The Audit & Examination Program is funded by a combination of general fund and state special revenue appropriations. Special revenue is derived through the assessment to agencies of federally approved hourly rate charges for audit services. For the 2003 biennium, \$3.6 million general fund provides 58 percent of the division's funding, while \$2.7 million state special revenue provides 42 percent.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				375,821					392,695
Vacancy Savings				0					0
Inflation/Deflation				3,132					5,395
Fixed Costs				(13,159)					(13,152)
Total Statewide Present Law Adjustments				\$365,794					\$384,938
DP 699 - Vacancy Savings at 4 Percent									
0.00	(68,072)	(49,573)	0	(117,645)	0.00	(67,272)	(51,044)	0	(118,316)
DP 2801 - Independent Audit Services									
0.00	54,740	20,225	0	74,965	0.00	17,641	12,774	0	30,415
DP 2802 - Audit Division Operations									
0.00	2,065	1,622	0	3,687	0.00	2,504	1,813	0	4,317
Total Other Present Law Adjustments									
0.00	(\$11,267)	(\$27,726)	\$0	(\$38,993)	0.00	(\$47,127)	(\$36,457)	\$0	(\$83,584)
Grand Total All Present Law Adjustments				\$326,801					\$301,354

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved applying the statewide vacancy savings rate of 4 percent to the Legislative Branch and included the state share of health insurance premiums in the calculation for determining the amount. This reduction included \$235,961 in funding (\$135,344 general fund and \$100,617 in state special revenue) for the Legislative Audit and Examination Division.

DP 2801 - Independent Audit Services - The legislature approved funds, including \$74,965 in fiscal 2002 and \$30,415 in fiscal 2003, to complete required biennial audits of state agencies. This includes cyclical audit costs associated with biennial independent audits of the Legislative Branch and Audit Division, costs associated with the biennial Peer Review required by Government Auditing Standards, costs associated with hiring consultants, and restoration of reverted funds from the on-going quasi-external contract between the Audit Division and the Department of Justice.

DP 2802 - Audit Division Operations - The legislature approved funds, including \$3,687 in fiscal 2002 and \$4,317 in fiscal 2003, for general operation increases in subscription and education costs. The Audit Division subscribes to many professional periodicals and guides. These funds will maintain existing subscriptions in support of the division employee training plan to ensure compliance with Government Auditing Standards.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	5.04	0.00	0.00	5.04	0.00	0.00	5.04	5.04
Personal Services	343,423	22,939	0	366,362	25,199	0	368,622	734,984
Operating Expenses	524,093	215,556	100,000	839,649	215,353	100,000	839,446	1,679,095
Total Costs	\$867,516	\$238,495	\$100,000	\$1,206,011	\$240,552	\$100,000	\$1,208,068	\$2,414,079
State/Other Special	867,516	238,495	100,000	1,206,011	240,552	100,000	1,208,068	2,414,079
Total Funds	\$867,516	\$238,495	\$100,000	\$1,206,011	\$240,552	\$100,000	\$1,208,068	\$2,414,079

Agency Description

The Consumer Counsel exists under Article XIII, Section 2 of the 1972 Montana Constitution. It is governed by Title 5, Chapter 15, and Title 69, Chapter 1 and 2, MCA. The office represents consumer interests in hearings before the Public Service Commission and like agencies. The counsel initiates, intervenes, or participates in appropriate proceedings in the court systems and administrative agencies on behalf of the public of Montana.

Summary of Legislative Action

The legislature approved the budget as presented including two present law adjustments. Statewide present law adjustments were applied, and the counsel received a \$200,000 annual contingency fund for future costs associated with an anticipated caseload increase based on current electricity and natural gas cost fluctuations, and travel and contract services of \$113,000 per year.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg - Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg - Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	5.04	5.04	5.04	0.00	5.04	5.04	0.00	
Personal Services	343,423	366,362	366,362	0	368,622	368,622	0	0
Operating Expenses	524,093	739,714	839,649	99,935	739,511	839,446	99,935	199,870
Total Costs	\$867,516	\$1,106,076	\$1,206,011	\$99,935	\$1,108,133	\$1,208,068	\$99,935	\$199,870
State/Other Special	867,516	1,106,076	1,206,011	99,935	1,108,133	1,208,068	99,935	199,870
Total Funds	\$867,516	\$1,106,076	\$1,206,011	\$99,935	\$1,108,133	\$1,208,068	\$99,935	\$199,870

Executive Budget Comparison

With the exception of global adjustments applied to all agencies, the legislature adopted the proposed budget.

Funding

The Consumer Counsel is funded by a constitutionally earmarked tax levied on all regulated entities under the jurisdiction of the Public Service Commission. The tax rate can be revised to adjust for previous fiscal year carryover to avoid accumulation of a significant cash balance.

Present Law Adjustments										
Fiscal 2002					Fiscal 2003					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				22,939					25,199	
Vacancy Savings				0					0	
Inflation/Deflation				273					718	
Fixed Costs				1,658					1,562	
Total Statewide Present Law Adjustments				\$24,870					\$27,479	
DP 1 - Present Law Base Adjustments										
0.00	0	213,690	0	213,690	0.00	0	213,138	0	213,138	
DP 696 - Data Network Fixed Cost Reduction										
0.00	0	(65)	0	(65)	0.00	0	(65)	0	(65)	
Total Other Present Law Adjustments										
0.00	\$0	\$213,625	\$0	\$213,625	0.00	\$0	\$213,073	\$0	\$213,073	
Grand Total All Present Law Adjustments				\$238,495					\$240,552	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Present Law Base Adjustments - The legislature approved a present law adjustment including an annual \$100,000 contingency appropriation for predictable caseload increases with unpredictable costs. This present law adjustment restores the contingency fund and includes \$27,913 in travel, \$2,442 in temporary services, \$954 in printing, \$1,218 in reference materials, and funding for multiple other small expenditures.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

New Proposals										
Fiscal 2002					Fiscal 2003					
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 500 - Caseload Contingency Fund										
01	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
Total	0.00	\$0	\$100,000	\$0	\$100,000	0.00	\$0	\$100,000	\$0	\$100,000

New Proposals

DP 500 - Caseload Contingency Fund - The legislature approved an additional \$100,000 state special revenue in fiscal 2000 and fiscal 2003 as a restricted appropriation. These funds are provided in anticipation of additional workload and additional legal costs related to energy cost issues currently anticipated by the Public Service Commission as they manage issues related to utility supply, and supply and market conditions in the utilities industries.

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	102.75	3.50	10.50	116.75	5.00	11.50	119.25	119.25
Personal Services	7,467,094	775,628	775,870	9,018,592	887,003	159,400	8,513,497	17,532,089
Operating Expenses	1,556,329	98,505	820,512	2,475,346	93,573	616,732	2,266,634	4,741,980
Equipment	280,966	28,061	33,750	342,777	30,868	0	311,834	654,611
Grants	434,371	201,822	0	636,193	199,969	0	634,340	1,270,533
Debt Service	28,510	0	0	28,510	0	0	28,510	57,020
Total Costs	\$9,767,270	\$1,104,016	\$1,630,132	\$12,501,418	\$1,211,413	\$776,132	\$11,754,815	\$24,256,233
General Fund	8,204,056	922,539	1,091,407	10,218,002	1,020,668	412,407	9,637,131	19,855,133
State/Other Special	1,488,214	181,477	150,000	1,819,691	190,745	75,000	1,753,959	3,573,650
Federal Special	75,000	0	388,725	463,725	0	288,725	363,725	827,450
Total Funds	\$9,767,270	\$1,104,016	\$1,630,132	\$12,501,418	\$1,211,413	\$776,132	\$11,754,815	\$24,256,233

Agency Description

The Judicial Branch is authorized by Article III, Section I, and Article VII of the Montana Constitution. The Supreme Court, consisting of a Chief Justice and six justices, has appellate jurisdiction for the state. The court also has original jurisdiction to issue, hear, and determine writs as provided by law, and has general supervisory control over all courts in the state. The Supreme Court establishes rules governing appellate procedure, other court practices and procedures, admission to the bar, and conduct of its members. The court also supervises the district courts and manages the majority of the District Court costs.

Summary of Legislative Action

The legislature approved a \$24.3 million budget for the Judiciary for the 2003 biennium. This is a \$4.3 million, or 21.3 percent increase over the 2001 biennium. From the fiscal 2000 base, the legislature added \$2.3 million in present law adjustments and \$2.4 million in new proposals, including 16.5 FTE.

Major additions to general fund include: 1) 8.5 FTE and \$800,500 over the biennium to administer assumption of district courts per SB 176 (discussed in the "Other Legislation" section); 2) \$301,426 to add 3.0 FTE law clerks for the Supreme Court; 3) \$975,195 for present law adjustments for district court operations to fund district judges' salaries, training, and travel expenses; 4) \$505,314 to add 1.0 FTE additional district court judges (2.0 FTE in fiscal 2004 and after) and 1.0 FTE to establish an asbestos court; and 5) \$100,000 to expand the Court Appointed Special Advocate Program (CASA).

Major changes to other funds include: 1) \$401,791 state special revenue for court automation; 2) \$225,000 state special revenue for that portion of the marriage dissolution fee earmarked to provide legal assistance to indigent victims of domestic violence; and 3) \$407,450 federal funds for the CASA Program and the Court Assessment Program.

In addition to the 13.5 FTE described above, the legislature added: 1) 1.0 FTE to the Clerk of Court; 2) 1.0 FTE board coordinator to the Boards and Commissions Program; and 3) 1.0 FTE for the CASA Program.

Other Legislation

House Bill 124- HB 124, which has been signed into law, revises local government funding. As part of that change, the bill includes an appropriation to the Judiciary of up to \$25.0 million general fund for costs of the assumption of district courts as specified in SB 176. For a further discussion of district court assumption, see the SB 176 discussion below. For a further discussion of HB 124, see Volume 1 of this report.

House Bill 214- HB 214, which has been signed into law, adds funding for two new District Court Judges, one in Ravalli County and one in Cascade County. This funding includes travel, training, and initial office equipment funding for these judges. Funding is provided for these judges to take office in calendar year 2003 after being elected in the general election to be held in November 2002.

Senate Bill 176- SB 176, which has been signed into law, requires state assumption of the majority of the administrative responsibilities of the district courts, excluding elected officials (county attorneys, public defenders, and court clerks.) Approximately 265 FTE will become new state employees. The state will assume the cost of the district court staff, including secretaries, court reporters, juvenile probation officers, special masters to the judges, and law clerks at their current salaries. The state will also assume health insurance costs, professional services costs, and provide new supplies and equipment. The counties will continue providing the court space, including cleaning, utilities, and maintenance. An additional 8.5 FTE were added to the Judiciary in HB 2 (\$800,000 general fund biennial appropriation) to conduct administration, accounting, budgeting, and payroll for the 265 new state employees at the county district court level. HB 124 includes up to \$25.0 million for the costs of the courts.

Senate Bill 282- SB 282, which has been signed into law, added an Asbestos Claims court to adjudicate asbestos claims in Libby related to the former W.R. Grace vermiculite mining operation. The court includes a contract judge, a contract court reporter, and a 1.0 FTE secretary/law clerk. The bill also provides leased transportation and computer hardware and software.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg – Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg – Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	102.75	106.75	116.75	10.00	111.25	119.25	8.00	
Personal Services	7,467,094	8,276,608	9,018,592	741,984	8,525,115	8,513,497	(11,618)	730,366
Operating Expenses	1,556,329	2,026,905	2,475,346	448,441	2,003,619	2,266,634	263,015	711,456
Equipment	280,966	309,027	342,777	33,750	311,834	311,834	0	33,750
Grants	434,371	636,193	636,193	0	634,340	634,340	0	0
Debt Service	28,510	28,510	28,510	0	28,510	28,510	0	0
Total Costs	\$9,767,270	\$11,277,243	\$12,501,418	\$1,224,175	\$11,503,418	\$11,754,815	\$251,397	\$1,475,572
General Fund	8,204,056	9,168,827	10,218,002	1,049,175	9,385,734	9,637,131	243,473	1,300,572
State/Other Special	1,488,214	1,669,691	1,819,691	150,000	1,678,959	1,753,959	75,000	225,000
Federal Special	75,000	438,725	463,725	25,000	438,725	363,725	(75,000)	(50,000)
Total Funds	\$9,767,270	\$11,277,243	\$12,501,418	\$1,224,175	\$11,503,418	\$11,754,815	\$243,473	\$1,475,572

Executive Budget Comparison

In addition to global adjustments made to all agencies, the legislature took other actions that resulted in an increase of 8.0 FTE, \$1.3 million general fund, and \$1.5 million total funds not initially recommended by the executive.

The increase of 8.0 FTE is due to the net of the following: 1) addition of 8.5 FTE (\$800,500 general fund) for administration of assumption of district court operations, 2.0 FTE for the new asbestos and district courts (\$505,314 general fund), and 0.50 FTE for the Clerk of Court (the Governor recommended 0.50 FTE while the legislature funded 1.0 FTE); and 2) a reduction of 1.0 FTE law clerk in fiscal 2003 from the executive recommended 4.0 FTE (the legislature funded the FTE for the entire biennium, while the executive had recommended delayed hire), and a reduction of a net 2.0 FTE from the recommended level for the CASA Program and Citizens Review Board.

The legislature made reductions to general fund in a collaborative effort with the Judiciary and the executive, including: 1) provision of a 2 percent vacancy savings rate on all non-elected and non-exempt positions; 2) a reduction of \$31,680 in the Board and Commissions Program to reflect a delayed hire; and 3) reductions of \$8,995 in the Law Library, \$12,646 in District Court Operations, and \$4,800 in the Clerk of Court to fund other priorities.

The increase in state special revenue is due to the provision of spending authority for the program that provides legal representation for indigent victims of domestic violence.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	37.75	3.00	1.00	41.75	3.00	1.00	41.75	41.75
Personal Services	2,280,357	167,874	76,512	2,524,743	180,495	0	2,460,852	4,985,595
Operating Expenses	898,617	64,551	554,463	1,517,631	44,377	455,975	1,398,969	2,916,600
Grants	434,371	201,822	0	636,193	199,969	0	634,340	1,270,533
Total Costs	\$3,613,345	\$434,247	\$630,975	\$4,678,567	\$424,841	\$455,975	\$4,494,161	\$9,172,728
General Fund	2,675,451	297,141	92,250	3,064,842	287,735	92,250	3,055,436	6,120,278
State/Other Special	862,894	137,106	150,000	1,150,000	137,106	75,000	1,075,000	2,225,000
Federal Special	75,000	0	388,725	463,725	0	288,725	363,725	827,450
Total Funds	\$3,613,345	\$434,247	\$630,975	\$4,678,567	\$424,841	\$455,975	\$4,494,161	\$9,172,728

Program Description

The Supreme Court Operations Program manages day-to-day operations of the Supreme Court and subordinate courts, and administers multiple programs including the Federal Court Assessment Program (CAP), the Court Appointed Special Advocate Program (CASA), the Citizens Review Board Program (CRB), and the District Court Criminal Reimbursement Program.

Funding

This program is funded with a combination of general fund, state special revenue funds from assessments in district courts and courts of limited jurisdiction to upgrade electronic technology, and federal special revenue funds.

Present Law Adjustments									
Fiscal 2002					Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				61,277					73,563
Vacancy Savings				0					0
Inflation/Deflation				507					1,132
Fixed Costs				96,063					73,399
Total Statewide Present Law Adjustments				\$157,847					\$148,094
DP 696 - Data Network Fixed Cost Reduction	0.00	(1,004)	0	(1,004)	0.00	(1,004)	0	0	(1,004)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(52,865)	0	(52,865)	0.00	(53,041)	0	0	(53,041)
DP 699 - Vacancy Savings at 2 Percent	0.00	(29,004)	0	(29,004)	0.00	(29,152)	0	0	(29,152)
DP 1001 - Law Clerks for Supreme Court Justices	3.00	147,451	0	147,451	3.00	153,975	0	0	153,975
DP 1003 - Court Justice Education and Equipment	0.00	10,000	0	10,000	0.00	6,000	0	0	6,000
DP 1004 - Court Automation	0.00	0	201,822	201,822	0.00	0	199,969	0	199,969
Total Other Present Law Adjustments	3.00	\$74,578	\$201,822	\$0	3.00	\$76,778	\$199,969	\$0	\$276,747
Grand Total All Present Law Adjustments				\$434,247					\$424,841

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from the agency budget.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 2 Percent - The legislature approved application of a vacancy savings rate of 2 percent (as opposed to a 4 percent rate applied to legislative and executive branch agencies). Vacancy savings was not applied to elected officials.

DP 1001 - Law Clerks for Supreme Court Justices - The legislature provided \$301,426 general fund for an additional 3.0 FTE law clerks for Supreme Court Justices in the 2003 biennium. These funds were provided to allow the Supreme Court Justices to reduce the current delay in hearing cases. The legislature designated this appropriation as one-time-only.

DP 1003 - Court Justice Education and Equipment - The legislature provided \$16,000 general fund in the 2003 biennium for registration and travel costs to allow Supreme Court Justices to attend educational conferences on current statutes, precedence, and judicial procedures. This appropriation includes funding for two printers and a computer table for the Supreme Court Justices.

DP 1004 - Court Automation - The legislature provided authority to spend \$401,791 state special revenue generated by a \$5 surcharge on court filings. These funds will be used to support and improve the data and information systems of district and limited jurisdiction courts.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 523 - CASA Program Adjustment										
01	0.00	(32,182)	0	90,000	57,818	0.00	(32,182)	0	180,000	147,818
DP 1101 - Matching Court Assessment Program (CAP) funding										
01	0.00	36,250	0	108,725	144,975	0.00	36,250	0	108,725	144,975
DP 1103 - Court Appointed Special Advocate (CASA) Program										
01	1.00	82,182	0	190,000	272,182	1.00	82,182	0	0	82,182
DP 1104 - Case Management System Equipment										
01	0.00	6,000	0	0	6,000	0.00	6,000	0	0	6,000
DP 1111 - Legal Assistance for Domestic Violence Victims										
01	0.00	0	150,000	0	150,000	0.00	0	75,000	0	75,000
Total	1.00	\$92,250	\$150,000	\$388,725	\$630,975	1.00	\$92,250	\$75,000	\$288,725	\$455,975

New Proposals

DP 523 - CASA Program Adjustment - The legislature reinstated funding to the Citizen's Review Board Program that had been transferred to the Court Appointed Special Advocate Program and the Department of Public Health and Human Services. This adjustment provides a reduction of general fund and an increase in federal funds during the 2003 biennium for the CASA Program for funding which had been transferred from the CRB Program.

DP 1101 - Matching Court Assessment Program (CAP) funding - The legislature approved \$72,500 general fund and \$217,450 federal funds for the 2003 biennium for the Court Assessment Program (CAP) to continue evaluation of the effectiveness of child abuse and neglect proceedings within the Montana legal system. This funding will be used as matching funds to continue federal authority.

DP 1103 - Court Appointed Special Advocate (CASA) Program - The legislature approved \$100,000 general fund and \$190,000 federal funds for the 2003 biennium, to establish court supervised special advocacy programs to prevent child abuse and neglect in local communities. This funding is intended to assist local communities in establishing, maintaining, and developing their own local programs. This DP and DP 523 provide the net program funding for the 2003 biennium.

DP 1104 - Case Management System Equipment - The legislature approved \$12,000 general fund for the 2003 biennium for the Clerk of Court to upgrade their database case management system including two workstations and a common server to link existing computers.

DP 1111 - Legal Assistance for Domestic Violence Victims - The 1999 legislature established an account to provide legal assistance to indigent victims of domestic abuse. The account is funded with \$9 distributed from the marriage dissolution fee. The legislature approved \$225,000 state special revenue funds accrued under the program.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	2.00	0.50	0.00	2.50	1.00	0.00	3.00	3.00
Personal Services	73,129	25,570	0	98,699	44,669	0	117,798	216,497
Operating Expenses	127,547	18,313	0	145,860	29,556	0	157,103	302,963
Total Costs	\$200,676	\$43,883	\$0	\$244,559	\$74,225	\$0	\$274,901	\$519,460
General Fund	200,676	43,883	0	244,559	74,225	0	274,901	519,460
Total Funds	\$200,676	\$43,883	\$0	\$244,559	\$74,225	\$0	\$274,901	\$519,460

Program Description

The Boards and Commissions Program staff support functions assigned to the Supreme Court by legislative, judicial, or constitutional mandate. The program manages judicial discipline, rules, bar admissions, and substantial matters relative to improving and maintaining the administration of justice. The program includes the Judicial Standards Commission, the Sentence Review Division, the Commission on Practice, the Board of Bar Examiners, the Commission on Courts of Limited Jurisdiction, the Judicial Nominations Commission, the Commission to Eliminate Gender Bias in the Courts, and the Commission on Self-Represented Litigants.

Program Reorganization

The Commission on Practice, the Commission to Eliminate Gender Bias in the Courts, and the Commission on Self-Represented Litigants were added to the Boards and Commissions Program by directive of the Chief Justice of the Supreme Court. These additional commissions resulted in the legislature supporting an additional 1.0 FTE for the Boards and Commissions Program.

Funding

This program is funded with general fund. Minimal costs are recovered through a fee imposed by the Courts of Limited Jurisdiction for training and attorney investigation repayments. These funds are subsequently deposited to the general fund.

Present Law Adjustments									
Fiscal 2002					Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				4,963					5,223
Vacancy Savings				0					0
Inflation/Deflation				37					116
Fixed Costs				(156)					(156)
Total Statewide Present Law Adjustments				\$4,844					\$5,183
DP 699 - Vacancy Savings at 2 Percent									
0.00	(2,014)	0	0	(2,014)	0.00	(2,404)	0	0	(2,404)
DP 2001 - Commission Support									
0.50	31,750	0	0	31,750	1.00	62,143	0	0	62,143
DP 2002 - Judicial Standards Commission									
0.00	9,303	0	0	9,303	0.00	9,303	0	0	9,303
Total Other Present Law Adjustments									
0.50	\$39,039	\$0	\$0	\$39,039	1.00	\$69,042	\$0	\$0	\$69,042
Grand Total All Present Law Adjustments				\$43,883					\$74,225

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 699 - Vacancy Savings at 2 Percent - The legislature approved application of a vacancy savings rate of 2 percent (as opposed to a 4 percent rate applied to legislative and executive branch agencies).

DP 2001 - Commission Support - The legislature provided \$93,893 general fund for the 2003 biennium for an additional 1.0 FTE to support the Commission to Eliminate Gender Bias in the Courts (an internal Supreme Court commission), the Commission on Self-Represented Litigants (an internal Supreme Court commission for those who proceed without an attorney), and the Commission on Practice (to review complaints alleging unethical conduct by Montana attorneys.) In fiscal 2002, funds are provided to add this FTE either halfway through the 2002 budget year as a 1.0 FTE, or as a 0.5 FTE for the entire fiscal 2002. In fiscal 2003 the position will be a 1.0 FTE.

DP 2002 - Judicial Standards Commission - The legislature provided \$18,606 general fund for the constitutionally mandated Judicial Standards Commission, for use in investigating complaints and making recommendations with regard to the conduct of judicial officers. These funds also support investigative contracts and travel costs related to this constitutionally mandated issue.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	7.50	0.00	0.00	7.50	0.00	0.00	7.50	7.50
Personal Services	281,861	45,706	0	327,567	47,337	0	329,198	656,765
Operating Expenses	102,306	(409)	5,000	106,897	(377)	5,000	106,929	213,826
Equipment	280,966	28,061	0	309,027	30,868	0	311,834	620,861
Debt Service	28,510	0	0	28,510	0	0	28,510	57,020
Total Costs	\$693,643	\$73,358	\$5,000	\$772,001	\$77,828	\$5,000	\$776,471	\$1,548,472
General Fund	693,643	73,358	5,000	772,001	77,828	5,000	776,471	1,548,472
Total Funds	\$693,643	\$73,358	\$5,000	\$772,001	\$77,828	\$5,000	\$776,471	\$1,548,472

Program Description

The Law Library maintains legal reference materials used by the court system, the legislature, state officers and employees, members of the bar, and the general public. Access to much of this material is provided via the Internet. A Board of Trustees, consisting of the Supreme Court Justices, governs the library.

Funding

This program is funded with general fund. Minimal costs are recovered through fees charged for copies, faxes, and rental of audio/video cassettes. These fees are deposited to the general fund.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				42,187					43,851
Vacancy Savings				0					0
Inflation/Deflation				(30)					2
Fixed Costs				(379)					(379)
Total Statewide Present Law Adjustments				\$41,778					\$43,474
DP 699 - Vacancy Savings at 2 Percent									
0.00	(6,481)	0	0	(6,481)	0.00	(6,514)	0	0	(6,514)
DP 3003 - Legal Book Purchases for Public Use									
0.00	28,061	0	0	28,061	0.00	30,868	0	0	30,868
DP 3004 - Comparable Compensation for Library Clerks									
0.00	10,000	0	0	10,000	0.00	10,000	0	0	10,000
Total Other Present Law Adjustments									
0.00	\$31,580	\$0	\$0	\$31,580	0.00	\$34,354	\$0	\$0	\$34,354
Grand Total All Present Law Adjustments				\$73,358					\$77,828

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 699 - Vacancy Savings at 2 Percent - The legislature approved application of a vacancy savings rate of 2 percent (as opposed to a 4 percent rate applied to legislative and executive branch agencies).

DP 3003 - Legal Book Purchases for Public Use - The legislature provided \$58,929 general fund in the 2003 biennium to continue legal book purchases based on current legal book cost inflation levels. These funds allow the Law Library to maintain parity in the current law library collection.

DP 3004 - Comparable Compensation for Library Clerks - The legislature approved \$20,000 general fund in the 2003 biennium for the Judicial Branch to provide a pay increase for exempt library clerks. This funding will allow the Judicial Branch to compensate library clerks at approximately \$10 per hour. This is comparable to the compensation provided library clerks with like responsibilities in other like agencies.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 3101 - Legal Document Additions to Library Website										
03	0.00	5,000	0	0	5,000	0.00	5,000	0	0	5,000
Total	0.00	\$5,000	\$0	\$0	\$5,000	0.00	\$5,000	\$0	\$0	\$5,000

New Proposals

DP 3101 - Legal Document Additions to Library Website - The legislature provided \$10,000 general fund in the 2003 biennium for students to work as independent contractors scanning thousands of legal documents for addition to the law library website for public access. This includes Supreme Court briefs and opinions, court rules, legislative histories, and minutes of the Montana Constitutional Convention. This funding provides the capacity to scan documents for approximately 1400 hours during the 2003 biennium.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	40.00	0.00	9.50	49.50	0.00	10.50	50.50	50.50
Personal Services	4,076,004	483,896	699,358	5,259,258	507,136	159,400	4,742,540	10,001,798
Operating Expenses	283,536	10,528	257,549	551,613	10,635	155,757	449,928	1,001,541
Equipment	0	0	33,750	33,750	0	0	0	33,750
Total Costs	\$4,359,540	\$494,424	\$990,657	\$5,844,621	\$517,771	\$315,157	\$5,192,468	\$11,037,089
General Fund	4,359,540	494,424	990,657	5,844,621	517,771	315,157	5,192,468	11,037,089
Total Funds	\$4,359,540	\$494,424	\$990,657	\$5,844,621	\$517,771	\$315,157	\$5,192,468	\$11,037,089

Program Description

The District Court Operations Program funds salaries, travel, and training costs for the state district judges. District courts have original jurisdiction for cases in criminal felony, civil, and administrative law.

Program Reorganization

The legislature made three organizational changes in District Court Operations for the 2003 biennium resulting in an additional 10.5 FTE. This includes: 1) the addition of two District Court judges in fiscal 2003 (a total 1.0 FTE due to phase-in in fiscal 2003) in HB 214. Total costs are \$129,000 general fund in fiscal 2003; 2) 8.5 FTE to prepare the District Court to assume most costs and current county employees of the district courts as state employees (including a 1.0 FTE administrator, 2.0 FTE personnel managers, a 1.0 FTE accountant, 3.5 FTE payroll technicians, and a 1.0 FTE secretary) due to the passage of SB 176. Total Costs are \$800,500 general fund over the biennium. HB 124 (which revised local government funding) includes an appropriation of up to \$25.0 million general fund to assume district court costs; and 3) 1.0 FTE related to establishing an Asbestos Court due to the passage of SB 282 at a cost of \$376,314 general fund over the biennium.

Funding

This program is funded with general fund.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				476,396					499,636
Vacancy Savings				0					0
Inflation/Deflation				192					299
Fixed Costs				(664)					(664)
Total Statewide Present Law Adjustments				\$475,924					\$499,271
DP 4001 - District Court Judge Education and Travel	0.00	11,000	0	11,000	0.00	11,000	0	0	11,000
DP 4003 - Compensation for Recalled Judges	0.00	7,500	0	7,500	0.00	7,500	0	0	7,500
Total Other Present Law Adjustments	0.00	\$18,500	\$0	\$18,500	0.00	\$18,500	\$0	\$0	\$18,500
Grand Total All Present Law Adjustments				\$494,424					\$517,771

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 4001 - District Court Judge Education and Travel - The legislature approved \$22,000 general fund for the 2003 biennium for new judge training. Reno, Nevada is the closest training facility, and costs range from \$2,000 to \$3,500 per judge depending upon the length of the course attended. This appropriation funds training for approximately eight district court judges at an average cost of \$2,500. Appropriate portions of this appropriation are also intended to be used for vehicle leases, travel expenses, and leased vehicle maintenance for district court judges with multi-county jurisdictions. The legislature also encouraged the use of closer, more cost effective locations if they should become available during the biennium.

DP 4003 - Compensation for Recalled Judges - The legislature approved \$15,000 general fund for the 2003 biennium for statutory compensation of retired judges called to temporarily serve as a substitute judge.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 506 - New District Court Judges- Ravalli/Cascade Co.										
04	0.00	0	0	0	0	1.00	129,000	0	0	129,000
DP 507 - SB 282 - Special Asbestos Court										
04	1.00	190,157	0	0	190,157	1.00	186,157	0	0	186,157
DP 528 - SB 176 - State Assumption of District Courts										
04	8.50	800,500	0	0	800,500	8.50	0	0	0	0
Total	9.50	\$990,657	\$0	\$0	\$990,657	10.50	\$315,157	\$0	\$0	\$315,157

New Proposals

DP 506 - New District Court Judges - Ravalli/Cascade Co. - The legislature approved \$129,000 general fund in fiscal 2003 to add a new District Court Judge in Ravalli and Cascade counties. This funding includes salary and benefits as required by statute, \$4,000 for initial training costs, \$10,000 for travel expenses, and \$6,000 for computer hardware and software.

DP 507 - SB 282 - Special Asbestos Court - The legislature approved funds for a Special Asbestos Court. This includes \$376,314 general fund and 1.0 FTE in the 2003 biennium. This special court includes a contracted judge and court reporter and a 1.0 FTE secretary/law clerk. The program contains funds for two computers, a printer, and a fax machine in fiscal 2002 and a leased vehicle in both years of the 2003 biennium.

DP 528 - SB 176 - State Assumption of District Courts - The legislature provided \$800,500 general fund in the 2003 biennium as a restricted biennial appropriation to administer assumption of most district court operation costs. This appropriation includes 8.50 FTE. For further information on this issue, see the "Other Legislation" section at the beginning of this narrative.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	11.00	0.00	0.00	11.00	0.00	0.00	11.00	11.00
Personal Services	519,441	44,167	0	563,608	53,435	0	572,876	1,136,484
Operating Expenses	105,879	204	0	106,083	204	0	106,083	212,166
Total Costs	\$625,320	\$44,371	\$0	\$669,691	\$53,639	\$0	\$678,959	\$1,348,650
State/Other Special	625,320	44,371	0	669,691	53,639	0	678,959	1,348,650
Total Funds	\$625,320	\$44,371	\$0	\$669,691	\$53,639	\$0	\$678,959	\$1,348,650

Program Description

The Water Courts Operations staff adjudicates claims on existing water rights and supervises the distribution of water among the four water divisions of the state, as defined in 3-7-102, MCA.

Funding

This program is funded with state special revenue from the Renewable Resource Grant and Loan Account. These accounts include the Resource Indemnity and Ground Water Assessment (RIGWA) Tax, as well as interest earnings on the Resource Indemnity Tax (RIT) Trust.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services				36,567						39,835
Vacancy Savings				0						0
Inflation/Deflation				(408)						(408)
Fixed Costs				(332)						(332)
Total Statewide Present Law Adjustments				\$35,827						\$39,095
DP 5001 - Watermaster Base Salary Increase										
0.00	0	6,000	0	6,000		0.00	0	12,000	0	12,000
DP 5002 - Compensation During Travel										
0.00	0	1,600	0	1,600		0.00	0	1,600	0	1,600
DP 5003 - Telephone System Maintenance Contract										
0.00	0	944	0	944		0.00	0	944	0	944
Total Other Present Law Adjustments										
0.00	\$0	\$8,544	\$0	\$8,544		0.00	\$0	\$14,544	\$0	\$14,544
Grand Total All Present Law Adjustments				\$44,371						\$53,639

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 5001 - Watermaster Base Salary Increase - The legislature approved \$18,000 state special revenue funds in the 2003 biennium to provide the Water Court authority to increase the base salary of the three lowest-paid watermasters that joined the court in 1999. This will maintain equity with private sector compensation levels. Retention of current watermasters will reduce the 18-month adjudication time to 12 months.

DP 5002 - Compensation During Travel - The legislature provided \$3,200 state special revenue funds in the 2003 biennium to compensate eligible Water Court personnel when traveling to hearings throughout Montana.

DP 5003 - Telephone System Maintenance Contract - The legislature provided \$1,888 state special revenue funds in the 2003 biennium for a two-year maintenance contract on the Water Court's Norstar telephone system.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	4.50	0.00	0.00	4.50	1.00	0.00	5.50	5.50
Personal Services	236,302	8,415	0	244,717	53,931	0	290,233	534,950
Operating Expenses	38,444	5,318	3,500	47,262	9,178	0	47,622	94,884
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$274,746	\$13,733	\$3,500	\$291,979	\$63,109	\$0	\$337,855	\$629,834
General Fund	274,746	13,733	3,500	291,979	63,109	0	337,855	629,834
Total Funds	\$274,746	\$13,733	\$3,500	\$291,979	\$63,109	\$0	\$337,855	\$629,834

Program Description

The Clerk of Court provides operational support for the Supreme Court, as outlined in 3-2-4, MCA. Duties include maintaining court records and files, issuing writs and certificates, approving bonds, and filing legal papers and transcripts.

Funding

This program is funded with general fund.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				11,947					13,027
Vacancy Savings				0					0
Inflation/Deflation				(84)					(84)
Fixed Costs				(298)					(298)
Total Statewide Present Law Adjustments				\$11,565					\$12,645
DP 699 - Vacancy Savings at 2 Percent	0.00	(3,532)	0	0	(3,532)	0.00	(4,456)	0	0
DP 6002 - Records Storage	0.00	3,300	0	0	3,300	0.00	3,300	0	0
DP 6003 - Supply Increases	0.00	2,400	0	0	2,400	0.00	2,400	0	0
DP 6004 - Additional Staff	0.00	0	0	0	0	1.00	49,220	0	0
Total Other Present Law Adjustments	0.00	\$2,168	\$0	\$0	\$2,168	1.00	\$50,464	\$0	\$0
Grand Total All Present Law Adjustments				\$13,733					\$63,109

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 699 - Vacancy Savings at 2 Percent - The legislature approved application of a vacancy savings rate of 2 percent (as opposed to a 4 percent rate applied to legislative and executive branch agencies). Vacancy savings was not applied to elected officials.

DP 6002 - Records Storage - The legislature provided \$6,600 general fund in the 2003 biennium for storage costs related to Clerk of Court records transferred to Records Management.

DP 6003 - Supply Increases - The legislature provided \$4,800 general fund in the 2003 biennium for additional supplies, materials, and postage based on the Supreme Court's increased caseload.

DP 6004 - Additional Staff - The legislature approved \$49,200 general fund in fiscal 2003 for an additional 1.0 FTE clerk to assist in caseload management and reduce backlogged Supreme Court case levels.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 6101 - Scanner and Supporting Equipment										
06	0.00	3,500	0	0	3,500	0.00	0	0	0	0
Total	0.00	\$3,500	\$0	\$0	\$3,500	0.00	\$0	\$0	\$0	\$0

New Proposals

DP 6101 - Scanner and Supporting Equipment - The legislature provided \$3,500 general fund in fiscal 2002 for a scanner and necessary support equipment to allow the Clerk of Court to electronically file documents and make them available for public access. The legislature designated this appropriation as one-time-only.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	10,539	4,461	0	15,000	4,461	0	15,000	30,000
Total Costs	\$10,539	\$4,461	\$0	\$15,000	\$4,461	\$0	\$15,000	\$30,000
State/Other Special	10,539	4,461	0	15,000	4,461	0	15,000	30,000
Total Funds	\$10,539	\$4,461	\$0	\$15,000	\$4,461	\$0	\$15,000	\$30,000

Agency Description

The Montana Chiropractic Legal Panel reviews potential and actual malpractice claims against chiropractors to confirm reasonable inference of malpractice. The panel provides fair disposition of well-founded claims. The panel, consisting of three chiropractors and three attorneys, review every potential or actual claim. The Montana Chiropractic Association appoints a director to manage the panel.

Summary of Legislative Action

The total budget for the Chiropractic Legal Panel for the 2003 biennium is \$30,000. This is an 8.2 percent increase above the 2001 biennial budget. The increase was provided to fund additional legal investigations.

Other Legislation

House Bill 98 – The balance in the state special revenue account for the Montana Chiropractic Legal Panel will be moved into a trust account as of June 30, 2001. This will be called the Pretrial Review Fund. The panel's budget and funding will continue in HB 2.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg – Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg – Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Operating Expenses	10,539	15,000	15,000	0	15,000	15,000	0	0
Total Costs	\$10,539	\$15,000	\$15,000	\$0	\$15,000	\$15,000	\$0	\$0
State/Other Special	10,539	15,000	15,000	0	15,000	15,000	0	0
Total Funds	\$10,539	\$15,000	\$15,000	\$0	\$15,000	\$15,000	\$0	\$0

Executive Budget Comparison

The legislature approved the agency budget as presented.

Funding

The Montana Chiropractic Legal Panel is funded with state special revenue funds derived from annual assessments. This amount is set annually by the director and is assessed equally to all chiropractors.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Fixed Costs				2						4
Total Statewide Present Law Adjustments				\$2						\$4
DP 1 - Panel Operating Costs	0.00	0	4,459	0	4,459	0.00	0	4,457	0	4,457
Total Other Present Law Adjustments	0.00	\$0	\$4,459	\$0	\$4,459	0.00	\$0	\$4,457	\$0	\$4,457
Grand Total All Present Law Adjustments				\$4,461						\$4,461

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Panel Operating Costs - All panel functions are conducted through consulting and other professional services. The panel requested, and the legislature approved, an increase for consulting and professional services, travel, and audit fees in anticipation of increased activity. Activity depends on the number of cases filed, which cannot always be predicted.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	50.00	0.00	7.00	57.00	0.00	7.00	57.00	57.00
Personal Services	2,423,695	131,828	535,078	3,090,601	144,565	535,078	3,103,338	6,193,939
Operating Expenses	862,472	2,294,163	1,946,122	5,102,757	77,086	591,058	1,530,616	6,633,373
Equipment	12,787	(12,787)	0	0	(12,787)	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$3,298,954	\$2,413,204	\$2,481,200	\$8,193,358	\$208,864	\$1,126,136	\$4,633,954	\$12,827,312
General Fund	3,024,552	190,367	1,117,724	4,332,643	134,829	1,118,936	4,278,317	8,610,960
State/Other Special	230,746	221,888	875,951	1,328,585	72,587	7,200	310,533	1,639,118
Federal Special	43,656	2,000,949	487,525	2,532,130	1,448	0	45,104	2,577,234
Total Funds	\$3,298,954	\$2,413,204	\$2,481,200	\$8,193,358	\$208,864	\$1,126,136	\$4,633,954	\$12,827,312

Agency Description

The Office of the Governor exists under authority granted in Article VI of the Montana Constitution. The Governor has constitutional and statutory authority to administer the affairs of the State of Montana. The Governor appoints all military and civil officers of the state whose appointments are provided for by statute or the Constitution, grants reprieves and pardons, and serves on various boards and commissions. The Governor approves or vetoes legislation, reports to the legislature on the condition of the state, and submits a biennial Executive Budget. The Governor also represents the state in relations with other governments and the public.

Summary of Legislative Action

Funds for the Governor's Office increased by \$6,130,236 total funds, or 91.5 percent over the 2001 biennium. General fund was increased by \$2,503,113 or 41 percent. Major increases include the following: 1) \$868,751 state special revenue and \$387,533 federal funds were provided to maintain an Energy Cost Contingency Account. This funding is appropriated to the Governor's Office, but is intended to be distributed to state agencies that may experience budget overruns based on geographical location or unanticipated fluctuations in energy costs; 2) the addition of \$2.0 million in federal special revenue and \$150,000 in state special revenue authority for the Tribal Economic Development Commission; 3) establishment of a new Office of Economic Development, including 7.0 FTE at a cost of \$1.7 million general fund over the biennium; and 4) transfer of all costs for the Extradition and Transportation of Prisoners Program from the Department of Justice to this agency at a cost of \$356,660 general fund over the biennium. The Governor's Office already manages the program.

In addition, the legislature increased funding for the Consensus Council by \$150,000 general fund to match grants.

Other Legislation

House Bill 21 – HB 21 extends the sunset of the Indian Economic Development Commission. Funds provided by the 1999 legislature were extended by the 2003 legislature and are in HB 2.

Senate Bill 107 – This bill provides for two-way electronic audio-video communication in mental illness proceedings. The \$30,390 in funding required for this bill is contained in HB 2.

Senate Bill 328 – This bill provides for transfer of \$356,660 general fund from the Department of Justice to the Governor's Office to fund the Extradition of Prisoners Program. The funding required for this bill is contained in HB 2.

Senate Bill 445 – SB 445 reorganizes the Department of Commerce. This reorganization created a new Office of Economic Development in the Governor's Office including 7.0 new full-time employees. The funding required for this office is contained in HB 2 and a portion of the statutory appropriation for economic development. For further information on this new office see the "Agency Narrative" below.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg – Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg – Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	50.00	50.00	57.00	7.00	50.00	57.00	7.00	
Personal Services	2,423,695	2,555,849	3,090,601	534,752	2,568,587	3,103,338	534,751	1,069,503
Operating Expenses	862,472	3,172,218	5,102,757	1,930,539	955,141	1,530,616	575,475	2,506,014
Equipment	12,787	(326)	0	326	(327)	0	327	653
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$3,298,954	\$5,727,741	\$8,193,358	\$2,465,617	\$3,523,401	\$4,633,954	\$1,110,553	\$3,576,170
General Fund	3,024,552	3,230,502	4,332,643	1,102,141	3,174,964	4,278,317	1,103,353	2,205,494
State/Other Special	230,746	452,634	1,328,585	875,951	303,333	310,533	7,200	883,151
Federal Special	43,656	2,044,605	2,532,130	487,525	45,104	45,104	0	487,525
Total Funds	\$3,298,954	\$5,727,741	\$8,193,358	\$2,465,617	\$3,523,401	\$4,633,954	\$1,110,553	\$3,576,170

Executive Budget Comparison

The legislature applied global adjustments to the Governor's Office that were applied to all agencies, and approved the agency budget with significant modifications. The legislature added: 1) an Energy Cost Contingency Account to the Governor's Office in the Office of Budget and Program Planning to support a flexible response to potential cost increases related to electricity and natural gas; 2) an Office of Economic Development; 3) additional funding for the Consumer Council; 4) the Flathead Valley Water Quality Assessment Project; and 5) the Prisoner Extradition and Transport Program which was transferred from the Department of Commerce.

Agency Narrative

The legislature established a new Office of Economic Development in the Governor's Office. This new office was created as part of the reorganization of the Department of Commerce directed in Senate Bill 445. The head of the office will be the new Chief Business Development Officer appointed by the Governor. The office was authorized a total of 7.0 exempt FTE and will be the economic development liaison for the state. The office exists to foster business retention and recruitment, expand the state workforce, exploit newly developed technology, support infrastructure improvement, assist with permitting and regulatory processes, and process and maintain grants related to these purposes.

The Office of Economic Development is funded by HB 2 and a statutory appropriation from the May 2000 special session of the legislature. HB 2 funding includes \$850,000 general fund in each budget year of the 2003 biennium. The statutory appropriation includes \$350,000 general fund in each year of the 2003 biennium that was redirected from the business recruitment appropriation to the Department of Commerce. Total funding for the new office is \$2.4 million general fund.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	19.00	0.00	7.00	26.00	0.00	7.00	26.00	26.00
Personal Services	930,245	73,800	625,411	1,629,456	78,186	625,806	1,634,237	3,263,693
Operating Expenses	388,839	76,781	682,638	1,148,258	51,502	583,858	1,024,199	2,172,457
Equipment	12,787	(12,787)	0	0	(12,787)	0	0	0
Total Costs	\$1,331,871	\$137,794	\$1,308,049	\$2,777,714	\$116,901	\$1,209,664	\$2,658,436	\$5,436,150
General Fund	1,124,481	58,550	1,178,452	2,361,483	36,958	1,179,560	2,340,999	4,702,482
State/Other Special	207,390	79,244	0	286,634	79,943	0	287,333	573,967
Federal Special	0	0	129,597	129,597	0	30,104	30,104	159,701
Total Funds	\$1,331,871	\$137,794	\$1,308,049	\$2,777,714	\$116,901	\$1,209,664	\$2,658,436	\$5,436,150

Program Description

The Executive Office Program staff assists the Governor in reviewing and coordinating activities of the Executive Branch, including administrative, legal, press support, and centralized services. The office also administers programs with special impact on Montana, including services for senior citizens, maintaining clean water in the Flathead Basin, and duties of the Consensus Council.

Program Reorganization

The Governor's Office has three reorganizations:

- 1) The legislature approved \$177,724 general fund in fiscal 2002 and \$178,936 general fund in fiscal 2003 for the Executive Office Program to assume the extradition and transportation of prisoners from the Department of Justice. Based on the unpredictable nature of extradition and transportation, the legislature also approved use of up to \$51,000 of this funding (if not used for extradition and transportation) to purchase vans for county sheriffs and peace officers. The legislature also recognized the future potential for a supplemental appropriation related to execution of this responsibility;
- 2) The legislature approved \$850,000 general fund in HB 2 and moved \$350,000 general fund authorized by a statutory appropriation during the special session in each year of the 2003 biennium for a new Office of Economic Development in the Executive Office Program. The Economic Development Office is charged with improving, enhancing, and diversifying Montana's economic and business climate through business creation, expansion, and retention efforts; and coordination with local development organizations. This new office will consist of 7.0 exempt FTE; and
- 3) The legislature approved transferring the Mental Health Ombudsman from the Board of Visitors to the Executive Office Program (both programs are internal to the Governor's Office). This action transferred \$29,605 federal special revenue during fiscal 2002 and \$30,104 federal special revenue during fiscal 2003 from the Board of Visitors to the Executive Office Program.

Funding

This program is funded with general fund, and state and federal special revenue. Major sources of state special revenue include \$15,500 from federal sources, which is used to offset personal service costs in Central Services; \$36,000 from renewable resource grants, private sources, and local governments, which is used to fund the Flathead Basin Commission; \$170,000 derived from fees charged for services; and \$50,000 in private funds used to fund the Consensus Council. Federal special revenue comes from federal grants for economic development and miscellaneous other federal grants.

Present Law Adjustments										
Fiscal 2002					Fiscal 2003					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				111,826						116,374
Vacancy Savings				(26,217)						(26,339)
Inflation/Deflation				1,892						3,585
Fixed Costs				44,609						21,678
Total Statewide Present Law Adjustments				\$132,110						\$115,298
DP 1 - Replacement Computers	0.00	(20,106)	0	0	(20,106)	0.00	(24,106)	0	0	(24,106)
DP 2 - Consensus Council SSR Authority	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
DP 696 - Data Network Fixed Cost Reduction	0.00	(583)	0	0	(583)	0.00	(583)	0	0	(583)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(11,463)	(355)	0	(11,818)	0.00	(11,503)	(356)	0	(11,859)
DP 699 - Vacancy Savings at 4 Percent	0.00	(10,083)	(1,726)	0	(11,809)	0.00	(10,119)	(1,730)	0	(11,849)
Total Other Present Law Adjustments	0.00	(\$42,235)	\$47,919	\$0	\$5,684	0.00	(\$46,311)	\$47,914	\$0	\$1,603
Grand Total All Present Law Adjustments				\$137,794						\$116,901

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Replacement Computers - The legislature approved funds to allow the Governor's Office to replace two computers in fiscal 2002. Because fewer computers will be replaced than were replaced in the base, this results in net negative present law adjustments of \$20,106 in fiscal 2002 and \$24,106 in fiscal 2003.

DP 2 - Consensus Council SSR Authority - The legislature approved \$100,000 state special revenue to allow the Consensus Council to spend revenue received from contracts with other state agencies. This funding will meet increased operating expenses to procure consulting services necessary to honor additional contracts.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from the agency budget.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 1 - Western Governors Association Dues										
01	0.00	15,000	0	0	15,000	0.00	15,000	0	0	15,000
DP 512 - SB 445 - Office of Economic Development										
01	7.00	850,000	0	0	850,000	7.00	850,000	0	0	850,000
DP 513 - Flathead Valley Water Quality Assessment (OTO)										
01	0.00	0	0	99,992	99,992	0.00	0	0	0	0
DP 515 - SB 515 - Mental Health Ombudman Transfer										
01	0.00	60,728	0	29,605	90,333	0.00	60,624	0	30,104	90,728
DP 520 - SB 328 - Prisoner Extradition and Transport										
01	0.00	177,724	0	0	177,724	0.00	178,936	0	0	178,936
DP 524 - Consensus Council Matching Funds for Grants										
01	0.00	75,000	0	0	75,000	0.00	75,000	0	0	75,000
Total	7.00	\$1,178,452	\$0	\$129,597	\$1,308,049	7.00	\$1,179,560	\$0	\$30,104	\$1,209,664

New Proposals

DP 1 - Western Governors Association Dues - The legislature approved \$30,000 general fund for a new proposal to pay dues for membership in the Western Governor's Association. This membership will allow Montana to participate on the regional and national scale in setting public policy, particularly in areas of water rights, drought, and wild fires.

DP 512 - SB 445 - Office of Economic Development - The legislature approved \$850,000 general fund in each year of the 2003 biennium for an Office of Economic Development in the Governor's Office Executive Office Program. The Economic Development Office is charged to improve, enhance, and diversify Montana's economic and business climate through business creation, expansion, and retention efforts; and coordination with local development organizations. This new office will consist of 7.0 exempt FTE. An additional \$350,000 general fund is statutorily appropriated annually.

DP 513 - Flathead Valley Water Quality Assessment (OTO) - The legislature approved \$99,992 federal special revenue in fiscal 2002 for the Flathead Basin Commission. This funding is intended to be used to create a groundwater quality assessment and monitoring plan for the Northern Flathead Valley and the Flathead Lake perimeter. This is a one-time-only appropriation.

DP 515 - SB 515 - Mental Health Ombudsmen Transfer - The legislature approved transferring the Mental Health Ombudsman from the Board of Visitors to the Executive Office Program. This action transfers \$29,605 federal special revenue during fiscal 2002 and \$30,104 federal special revenue during fiscal 2003 from the Board of Visitors to the Executive Office Program.

DP 520 - SB 328 - Prisoner Extradition and Transportation - The legislature transferred \$177,724 general fund in fiscal 2002 and \$178,936 general fund in fiscal 2003 from the Department of Justice to pay all costs to extradite and transport prisoners. This office already manages this program. This reorganization consolidates management and payment of costs. Based on the unpredictable nature of extradition and transportation, the legislature also approved use of up to \$51,000 of this funding (if not used for extradition and transportation) to purchase vans for county sheriffs and peace officers. The legislature also recognized the future potential for a supplemental appropriation related to this responsibility.

DP 524 - Consensus Council Matching Funds for Grants - The legislature approved \$150,000 general fund to be used as matching funds for grants. This funding was designated as one time only by the legislature.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	1.50	0.00	0.00	1.50	0.00	0.00	1.50	1.50
Personal Services	44,979	(1,383)	0	43,596	(1,203)	0	43,776	87,372
Operating Expenses	34,942	344	0	35,286	317	0	35,259	70,545
Total Costs	\$79,921	(\$1,039)	\$0	\$78,882	(\$886)	\$0	\$79,035	\$157,917
General Fund	79,921	(1,039)	0	78,882	(886)	0	79,035	157,917
Total Funds	\$79,921	(\$1,039)	\$0	\$78,882	(\$886)	\$0	\$79,035	\$157,917

Program Description

The Mansion Maintenance Program maintains the Governor's official residence.

Funding

The program is funded entirely with general fund.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				433					620
Vacancy Savings				(1,150)					(1,155)
Fixed Costs				344					317
Total Statewide Present Law Adjustments				(\$373)					(\$218)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(666)	0	0	(666)	0.00	(668)	0	0	(668)
Total Other Present Law Adjustments									
0.00	(\$666)	\$0	\$0	(\$666)	0.00	(\$668)	\$0	\$0	(\$668)
Grand Total All Present Law Adjustments				(\$1,039)					(\$886)

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	1.00	0.00	0.00	1.00	0.00	0.00	1.00	1.00
Personal Services	41,888	4,800	0	46,688	5,516	0	47,404	94,092
Operating Expenses	144,820	(99)	0	144,721	476	0	145,296	290,017
Total Costs	\$186,708	\$4,701	\$0	\$191,409	\$5,992	\$0	\$192,700	\$384,109
General Fund	170,710	4,699	0	175,409	5,990	0	176,700	352,109
State/Other Special	15,998	2	0	16,000	2	0	16,000	32,000
Total Funds	\$186,708	\$4,701	\$0	\$191,409	\$5,992	\$0	\$192,700	\$384,109

Program Description

The Air Transportation Program staff provide the Governor with safe, reliable, economical, air transportation.

Funding

The program is funded with general fund and \$32,000 state special revenue derived from renting the Governor's aircraft to other state agencies.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				6,745					7,491
Vacancy Savings				(1,353)					(1,375)
Inflation/Deflation				(11)					(11)
Fixed Costs				(88)					487
Total Statewide Present Law Adjustments				\$5,293					\$6,592
DP 699 - Vacancy Savings at 4 Percent									
0.00	(592)	0	0	(592)	0.00	(600)	0	0	(600)
Total Other Present Law Adjustments	0.00	(\$592)	\$0	\$0	0.00	(\$600)	\$0	\$0	(\$600)
Grand Total All Present Law Adjustments				\$4,701					\$5,992

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00	17.00
Personal Services	906,551	16,325	0	922,876	21,542	0	928,093	1,850,969
Operating Expenses	144,623	47,999	1,256,284	1,448,906	8,336	0	152,959	1,601,865
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,051,174	\$64,324	\$1,256,284	\$2,371,782	\$29,878	\$0	\$1,081,052	\$3,452,834
General Fund	1,051,174	64,324	0	1,115,498	29,878	0	1,081,052	2,196,550
State/Other Special	0	0	868,751	868,751	0	0	0	868,751
Federal Special	0	0	387,533	387,533	0	0	0	387,533
Total Funds	\$1,051,174	\$64,324	\$1,256,284	\$2,371,782	\$29,878	\$0	\$1,081,052	\$3,452,834

Program Description

The Office of Budget and Program Planning (OBPP) staff assists the Governor in preparing and administering the Executive Budget. They monitor revenue collections, publish fiscal notes, and are the approving authority for operational plan changes, program transfers, and budget amendments under Chapter 17-7, MCA. OBPP also serves as the lead Executive Branch agency for compliance with the Federal Single Audit Act.

Funding

The Office of Budget and Program Planning is funded with general fund. Other funding includes state special revenue received for providing services to other agencies. State special revenue and federal revenue come from multiple sources to provide funding for excess energy costs of agencies in the 2003 biennium.

A portion of the program is supported through the Statewide Cost Allocation Plan (SWCAP) and the State Fund Cost Allocation Plan (SFCAP), which assess other state agencies for services provided by OBPP. Funds received from assessments of federal and non-general fund state funds are deposited into the general fund.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					54,777					60,212
Vacancy Savings					(27,034)					(27,197)
Inflation/Deflation					(1,820)					(1,448)
Fixed Costs					29,745					7,333
Total Statewide Present Law Adjustments					\$55,668	\$38,900				
DP 1 - Replacement Computers	0.00	21,000	0	0	21,000	0.00	(1,000)	0	0	(1,000)
DP 2 - Video Projector	0.00	5,600	0	0	5,600	0.00	0	0	0	0
DP 3 - Session Costs	0.00	0	0	0	0	0.00	10,000	0	0	10,000
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(6,526)	0	0	(6,526)	0.00	(6,549)	0	0	(6,549)
DP 699 - Vacancy Savings at 4 Percent	0.00	(11,418)	0	0	(11,418)	0.00	(11,473)	0	0	(11,473)
Total Other Present Law Adjustments										
	0.00	\$8,656	\$0	\$0	\$8,656	0.00	(\$9,022)	\$0	\$0	(\$9,022)
Grand Total All Present Law Adjustments					\$64,324	\$29,878				

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Replacement Computers - The legislature approved \$20,000 general fund to replace 11 computers during the 2003 biennium.

DP 2 - Video Projector - The legislature approved \$5,600 general fund in fiscal 2002 to purchase a computer and video projector customized to budget office applications. This is a one-time-only appropriation.

DP 3 - Session Costs - The legislature approved \$10,000 general fund for fiscal 2003 to publish the OBPP budget books.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 517 - Energy Contingency Account Transfer #1										
04	0.00	(1,700,000)	0	0	(1,700,000)	0.00	0	0	0	0
DP 527 - Energy Contingency Account Transfer #2										
04	0.00	(200,000)	0	0	(200,000)	0.00	0	0	0	0
DP 529 - Energy Contingency Account Transfer #3										
04	0.00	(211,412)	0	0	(211,412)	0.00	0	0	0	0
DP 531 - Energy Contingency Account Transfer #4										
04	0.00	(1,188,500)	0	0	(1,188,500)	0.00	0	0	0	0
DP 688 - Energy Cost Contingency Account										
04	0.00	3,299,912	868,751	387,533	4,556,196	0.00	0	0	0	0
Total	0.00	\$0	\$868,751	\$387,533	\$1,256,284	0.00	\$0	\$0	\$0	\$0

New Proposals

DP 517 - Energy Contingency Account Transfer #1 - The legislature reduced \$1,700,000 general fund in fiscal 2002 from the Energy Cost Contingency Account to fund the Office of Economic Development in the Executive Office.

DP 527 - Energy Contingency Account Transfer #2 - The legislature reduced \$200,000 general fund in fiscal 2002 from the Energy Cost Contingency Account to fund requirements in the Montana University System at the Flathead Lake Biological Station.

DP 529 - Energy Contingency Account Transfer #3 - The legislature reduced \$211,412 general fund in fiscal 2002 from the Energy Cost Contingency Account to partly fund auditor salary upgrades in the Department of Revenue and to fund an additional \$150,000 in the Consensus Council.

DP 531 - Energy Contingency Account Transfer #4 - The legislature reduced \$1,188,500 general fund in fiscal 2002 from the Energy Cost Contingency Account to fund a variety of other priorities.

DP 688 - Energy Cost Contingency Account - The legislature added a restricted, biennial, one-time-only appropriation to respond to contingencies related to cost increases in electricity and natural gas that are significantly above the amounts appropriated in HB 2. This funding includes \$868,751 state special revenue and \$387,533 federal revenue. The Office of Budget and Program Planning will analyze intended uses of this account, and allocation must be both approved by the Governor and reported to the Legislative Finance Committee. The legislature originally appropriated \$3.3 million in

general fund for this purpose. Decision Packages 517, 527, 529, and 531 (above) show the subsequent uses of these funds.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	78,179	10,146	0	88,325	10,462	0	88,641	176,966
Operating Expenses	26,937	2,146,942	0	2,173,879	(2,995)	0	23,942	2,197,821
Total Costs	\$105,116	\$2,157,088	\$0	\$2,262,204	\$7,467	\$0	\$112,583	\$2,374,787
General Fund	105,116	7,088	0	112,204	7,467	0	112,583	224,787
State/Other Special	0	150,000	0	150,000	0	0	0	150,000
Federal Special	0	2,000,000	0	2,000,000	0	0	0	2,000,000
Total Funds	\$105,116	\$2,157,088	\$0	\$2,262,204	\$7,467	\$0	\$112,583	\$2,374,787

Program Description

The Coordinator of Indian Affairs is the Governor's liaison with state Indian tribes. The program provides information on issues faced by the Indians of Montana. The coordinator advises and makes recommendations on issues facing Montana Indian delegations, and serves as spokesperson for public and private Native American groups. The program is mandated by 2-15-217 and 90-11-101, MCA.

Funding

This program is funded with general fund, state special revenue, and federal grants.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				13,287					13,614	
Vacancy Savings				(2,532)					(2,541)	
Inflation/Deflation				(4)					34	
Fixed Costs				(2,500)					(2,473)	
Total Statewide Present Law Adjustments				\$8,251					\$8,634	
DP 1 - State-Tribal Economic Development Commission	0.00	0	150,000	2,000,000	2,150,000	0.00	0	0	0	0
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(554)	0	0	(554)	0.00	(556)	0	0	(556)
DP 699 - Vacancy Savings at 4 Percent	0.00	(609)	0	0	(609)	0.00	(611)	0	0	(611)
Total Other Present Law Adjustments	0.00	(\$1,163)	\$150,000	\$2,000,000	\$2,148,837	0.00	(\$1,167)	\$0	\$0	(\$1,167)
Grand Total All Present Law Adjustments				\$2,157,088					\$7,467	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - State-Tribal Economic Development Commission - The legislature approved \$2,000,000 federal special revenue and \$150,000 state special revenue to support requirements of HB 21, which extended the State-Tribal Economic Development Commission. The legislature restricted these funds.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt

service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	3.00	0.00	0.00	3.00	0.00	0.00	3.00	3.00
Personal Services	171,337	11,151	0	182,488	11,813	0	183,150	365,638
Operating Expenses	37,424	3,402	0	40,826	4,319	0	41,743	82,569
Total Costs	\$208,761	\$14,553	\$0	\$223,314	\$16,132	\$0	\$224,893	\$448,207
General Fund	208,761	14,553	0	223,314	16,132	0	224,893	448,207
Total Funds	\$208,761	\$14,553	\$0	\$223,314	\$16,132	\$0	\$224,893	\$448,207

Program Description

The Office of the Lieutenant Governor provides service as prescribed by Article VI of the Montana Constitution, by delegation of the Governor, and under 2-15-3, MCA.

Funding

The program is funded with general fund.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				15,608					16,286
Vacancy Savings				(3,131)					(3,143)
Inflation/Deflation				1,228					1,992
Fixed Costs				4,037					4,196
Total Statewide Present Law Adjustments				\$17,742					\$19,331
DP 698 - Rent Reduction - Use of Capitol Land Grant									
0.00	(1,863)	0	0	(1,863)	0.00	(1,869)	0	0	(1,869)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(1,326)	0	0	(1,326)	0.00	(1,330)	0	0	(1,330)
Total Other Present Law Adjustments									
0.00	(\$3,189)	\$0	\$0	(\$3,189)	0.00	(\$3,199)	\$0	\$0	(\$3,199)
Grand Total All Present Law Adjustments				\$14,553					\$16,132

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	1.50	0.00	0.00	1.50	0.00	0.00	1.50	1.50
Personal Services	67,522	247	0	67,769	483	0	68,005	135,774
Operating Expenses	12,319	186	0	12,505	159	0	12,478	24,983
Total Costs	\$79,841	\$433	\$0	\$80,274	\$642	\$0	\$80,483	\$160,757
General Fund	65,649	(375)	0	65,274	(166)	0	65,483	130,757
Federal Special	14,192	808	0	15,000	808	0	15,000	30,000
Total Funds	\$79,841	\$433	\$0	\$80,274	\$642	\$0	\$80,483	\$160,757

Program Description

The Citizens' Advocate Office exists to provide access for Montana citizens to state government. The office provides information to citizens and functions as a referral service for public comments, suggestions, and requests for information. The office provides a toll-free number to the public.

Funding

The office is funded with general fund, and \$30,000 federal special revenue. The federal special revenue is derived from reimbursement for services the office provides the Department of Public Health and Human Services.

Present Law Adjustments											
Fiscal 2002						Fiscal 2003					
	FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services					3,070						3,316
Vacancy Savings					(1,905)						(1,913)
Inflation/Deflation					(374)						(374)
Fixed Costs					560						533
Total Statewide Present Law Adjustments					\$1,351						\$1,562
DP 699 - Vacancy Savings at 4 Percent											
	0.00	(918)	0	0	(918)		0.00	(920)	0	0	(920)
Total Other Present Law Adjustments											
	0.00	(\$918)	\$0	\$0	(\$918)		0.00	(\$920)	\$0	\$0	(\$920)
Grand Total All Present Law Adjustments					\$433						\$642

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	182,994	16,742	(90,333)	109,403	17,766	(90,728)	110,032	219,435
Operating Expenses	72,568	18,608	7,200	98,376	14,972	7,200	94,740	193,116
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$255,562	\$35,350	(\$83,133)	\$207,779	\$32,738	(\$83,528)	\$204,772	\$412,551
General Fund	218,740	42,567	(60,728)	200,579	39,456	(60,624)	197,572	398,151
State/Other Special	7,358	(7,358)	7,200	7,200	(7,358)	7,200	7,200	14,400
Federal Special	29,464	141	(29,605)	0	640	(30,104)	0	0
Total Funds	\$255,562	\$35,350	(\$83,133)	\$207,779	\$32,738	(\$83,528)	\$204,772	\$412,551

Program Description

The Mental Disabilities Board of Visitors reviews patient care in community mental health centers and facilities for the developmentally disabled, and provides legal services for in-patients. The five-member board is appointed by the Governor and employs staff and contractors who represent patients and review facilities. The board is mandated by Title 2-15-211, MCA, with duties described in Title 53-20-104, MCA. The Mental Disabilities Board of Visitors Program was created by the Developmental Disabilities Act of 1975 and the Mental Commitment and Treatment Act of 1975; the board exists by state mandate.

Program Reorganization

The legislature approved transferring the Mental Health Ombudsman from the Board of Visitors to the Executive Office Program (both programs are internal to the Governor's Office.) This action transferred \$29,605 federal special revenue during fiscal 2002 and \$30,104 federal special revenue during fiscal 2003 from the Board of Visitors to the Executive Office Program.

Funding

The program is funded with general fund, state special revenue, and federal special revenue. The federal special revenue is derived from Medicaid funding and is used to pay a portion of the personal services costs of the mental health ombudsman and support staff. These funds were transferred to the Executive Office Program.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				25,065					26,131	
Vacancy Savings				(5,605)					(5,637)	
Inflation/Deflation				435					826	
Fixed Costs				4,962					4,937	
Total Statewide Present Law Adjustments				\$24,857					\$26,257	
DP 1 - Replacement Computers										
0.00	3,764	0	0	3,764	0.00	(236)	0	0	(236)	
DP 2 - Board of Visitors Reviews										
0.00	10,000	0	0	10,000	0.00	10,000	0	0	10,000	
DP 698 - Rent Reduction - Use of Capitol Land Grant										
0.00	(484)	0	(69)	(553)	0.00	(486)	0	(69)	(555)	
DP 699 - Vacancy Savings at 4 Percent										
0.00	(2,392)	0	(326)	(2,718)	0.00	(2,401)	0	(327)	(2,728)	
Total Other Present Law Adjustments										
0.00	\$10,888	\$0	(\$395)	\$10,493	0.00	\$6,877	\$0	(\$396)	\$6,481	
Grand Total All Present Law Adjustments				\$35,350					\$32,738	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Replacement Computers - The legislature provided \$3,528 general fund to the Board of Visitors to purchase three computers during the biennium.

DP 2 - Board of Visitors Reviews - The legislature approved \$20,000 general fund for the Board of Visitors to oversee the care of patients in Montana hospitals and clinics. These funds have a legislative requirement that the Board of Visitors visit three additional geographical areas and eight additional facilities including: New Day, Yellowstone Boys and Girls Ranch, and one additional facility in the Billings area; two facilities in the Butte/Anaconda area; and Alternative Youth Adventures, Intermountain Children's Home, and Shodair in the Helena/Boulder area.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 511 - Teleconference During Mental Health Proceedings										
20	0.00	0	7,200	0	7,200	0.00	0	7,200	0	7,200
DP 516 - SB 135 - Mental Health Ombudsman Transfer										
20	0.00	(60,728)	0	(29,605)	(90,333)	0.00	(60,624)	0	(30,104)	(90,728)
Total	0.00	(\$60,728)	\$7,200	(\$29,605)	(\$83,133)	0.00	(\$60,624)	\$7,200	(\$30,104)	(\$83,528)

New Proposals

DP 511 - Teleconference During Mental Health Proceedings - The legislature approved \$7,200 state special revenue in each year of the 2003 biennium to provide the Board of Visitors the capacity to be electronically involved during mental illness hearings at locations across the state that have electronic video-teleconferencing capability.

DP 516 - SB 135 - Mental Health Ombudsman Transfer - The legislature approved transferring the Mental Health Ombudsman from the Board of Visitors to the Executive Office Program.

Agency Description

The Office of the Secretary of State conducts its daily operations through a single program: the Business and Government Services Program. The agency receives its entire funding from one enterprise fund.

Summary of Legislative Action

The legislature approved fees and charges revised by the office subsequent to the Executive Budget submission. The rates and charges approved by the legislature would produce roughly \$41,000 per year higher revenues for the portion of the office funded by an internal service proprietary fund than when the Executive Budget was submitted. However, the legislature passed HB 639, which directed that all revenues of the office be deposited into an enterprise fund.

Actions of the legislature would provide the same level of service provided during the 2001 biennium with the only exception being a move to provide greater public access to the Administrative Rules of Montana via the Internet.

Agency Discussion

During the 2001 biennium, the Office of the Secretary of State was funded entirely with proprietary funds. A portion of the office that receives revenues from fees charged to businesses and corporations for such services as corporate filings, registration of assumed business names and trademarks, and subscriptions to the ARM was funded with an enterprise fund. The other portion of the office that provides services to other government entities for services such as managing agency records, and for publishing and distributing both the ARM and the MAR was funded with an internal service fund. As such, in accordance with state budgeting laws (17-7-123, MCA), the legislature approved all fees and charges deposited in the internal service fund. The fees and charges approved by the legislature were then the maximum rates for fees and charges the office could assess for their services.

The legislature passed HB 639, which states that the revenue from fees collected by the office are to be deposited in an enterprise fund. Budgeting laws do not provide for legislative approval of fees and charges for revenues deposited in an enterprise fund. Because of the changes of HB 639 that moved the office to an enterprise fund, the fees and charges approved by the legislature are no longer limitations of the revenue for the services of the office but are merely presented below for information.

Other Legislation

House Bill 639 - HB 639 revised how fees charged by the Office of the Secretary of State may be set and where the revenue from the fees is to be deposited. HB 639 eliminated the requirement that fees charged by the Office of the Secretary of State must be commensurate with costs on a fee-by-fee basis and provided that the fees must be reasonably commensurate with overall costs of the office and must reasonably reflect prevailing rates charged in the public and private sectors for similar services. HB 639 also directed that fees collected by the Secretary of State must be deposited to an account in the enterprise fund type.

Executive Budget Comparison

The legislature approved fees and charges that would produce roughly \$41,000 per year higher revenues than those requested in the Executive Budget.

Funding

The Secretary of State's Office is funded entirely with an enterprise type proprietary fund.

Proprietary Rates**Program Description**

The Office of the Secretary of State is established by Article VI, Section 1 of the Montana Constitution and its duties are set forth in 2-4-311 and 312, 2-6-203, and 2-15-401, MCA. The office files, maintains, stores, and distributes corporate documents, agricultural lien information, official records of the executive branch, and acts of the legislature. It publishes the Administrative Rules of Montana (ARM) and the Montana Administrative Register (MAR). Additionally, the office administers the state agency records management function, as well as operates a central microfilm unit and the state

records center. Because the Secretary of State is the chief election officer of the state, the office also interprets and applies election laws, with the exception of those pertaining to campaign finance. The Secretary of State also performs duties as a member of the Board of Examiners and the Board of Land Commissioners.

Revenues and Expenses

The office estimates revenues totaling \$1.43 million for a period including the current year and the 2003 biennium. Expenditures for this three-year period are estimated to be \$1.45 million.

Rate Explanation

The fees and charges of the Office of Secretary of State are administered via an enterprise type proprietary fund. As such, they are not approved by the legislature. When the budget was submitted a portion of the fees and charges were administered via an internal service type proprietary fund and the legislature reviewed and approved the fees and charges. HB 639 changed the financial accountability of the office so that all fees and charges are administered via an enterprise type proprietary fund.

Table 1 shows the fees and charges the legislature approved for the Office of Secretary of State for the 2003 biennium. These "approved" fees and charges are shown to provide a historical perspective and in no way limit the operations of the office.

New Proposals

DP 1 - Purchase Computer Equipment and Software - By approving the fees and charges for the Secretary of State, the legislature concurred with the acquisition of computer hardware and software including: 1) a file server; and 2) an Internet server to manage public access to the ARM.

Table 1
Secretary of State
Approved Internal Service Fees and Charges

Product or Service	2003 Biennium
1. Administrative Rules of Montana Fees	
a. Administrative Rules of Montana	\$350.00 per set
b. Quarterly updates of ARM	250.00 per year
c. Extra titles	50.00 per book
d. Quarterly updates of extra titles	50.00 per year per title
e. Montana Administrative Register	300.00 per subscription
f. Agency filing fee for pages of register publication	40.00 per page
g. Binders	5.00 per binder
h. Lapsed subscription fee ARM	50.00 per subscription
i. Lapsed subscription fee extra title	10.00 per title
j. Fax fee - 10 pages or less	3.00 first 10 pages
k. Fax fee - additional pages over 10 pages	0.25 per page
l. Research fee	12.00 per hour
m. Set cleanup fee	12.00 per hour
n. Missing page fee	0.50 per page up to cost of set
o. Rule edit fee	15.00 per hour
p. Late filing fee (less than 2 hours)	5.00 per occurrence
p. Late filing fee (2 hours to 4 hours)	10.00 per occurrence
p. Late filing fee (more than 4 hours)	25.00 per occurrence
2. Records Management Fees (based on 2-6-203, MCA)	
a. 16MM Microfilm	
Less than 250,000	38.58
Non-typical extreme weight & size	38.58
8" x 11"; 8" x 14" paperwork	30.00
8" x 11"; 8" x 14" computer printout	30.00
Extreme size & weight variance	31.50
Cards - fixed weight & color	15.75
Cards - mixed weight & color	26.25
b. 35MM Microfilm	
L (per 12" x 12") aerial photos	68.25
16" x 20" bound books	63.00
24" x 34" newspapers	115.50
24" x 34" bound newspapers	136.50
48" x 48" blueprints/maps	288.75
c. 105MM Microfilm	
8" x 11" paperwork	68.25
8" x 11"; 8" x 14" computer printout	77.17
Cards (per 1000)	77.17
Minimum filing charge	37.50
d. Film Processing	
16mm, 100 foot roll	3.62
16mm, 215 foot roll	7.10
35mm, 100 foot roll	6.35
16mm, 3M cartridges	4.73

Table 1 (Continued)

Secretary of State

Approved Internal Service Fees and Charges

Product or Service	2003 Biennium
e. Film Inspecting	
100 foot roll inspection	3.65 per roll
215 foot roll inspection	5.23 per roll
Film splicing	0.79
3M cartridge loading	2.25
f. Duplication	
16mm, 100 foot roll	6.81 per roll
16mm, 215 foot roll	13.03 per roll
35mm, 100 foot roll	9.21 per roll
105mm, microfiche or jackets	0.16
Reader/printer copies	0.50
Photocopies/own labor	0.10
Photocopies/our labor	0.50
16mm, 100 foot roll	9.92 per roll
35mm, 100 foot roll	14.54 per roll
g. Jacket Loading	
16mm, 5 channel jacket	0.3150
Agency's own jacket	0.2887
35mm, 1 & 2 channel jacket	0.3150
Loading 16mm aperture card	0.2625
Jacket title	0.2625
Jacket notching	0.0525
h. Miscellaneous	
Fiche title	0.2625 per title
Indexing and document prep/hour	18.00 per hour
Camera rental	95.00 per day
i. Supplies	
NMI reader bulbs	10.75 per bulb
16mm, 100 foot roll film	6.68 per roll
16mm, 215 foot roll film	12.95 per roll
35mm, 100 foot roll film	13.95 per roll
j. Records Center Services	
Storage	0.2565 per square foot per month
Storage	0.295 per cubic foot per month
Retrievals	1.50 per occurrence
Emergency retrievals	6.25 per occurrence
Large retrievals, delivery, interfiling	22.50 per occurrence
Records disposal	22.50 per hour
Shredding confidential records	23.05 per hour
k. Records Center Boxes	
Records storage boxes: standard size A	1.34 per box
Drawing & map storage boxes size C	1.34 per box
l. Imaging Services	
Imaging	0.055 per image
Indexing and document preparation	18.00 per hour

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	149,492	29,050	0	178,542	30,256	0	179,748	358,290
Operating Expenses	167,637	4,995	(571)	172,061	173	(571)	167,239	339,300
Total Costs	\$317,129	\$34,045	(\$571)	\$350,603	\$30,429	(\$571)	\$346,987	\$697,590
General Fund	317,129	34,045	(571)	350,603	30,429	(571)	346,987	697,590
Total Funds	\$317,129	\$34,045	(\$571)	\$350,603	\$30,429	(\$571)	\$346,987	\$697,590

Agency Description

The Commissioner of Political Practices is authorized by Title 13, Chapter 37, MCA. Additional responsibilities were defined by legislative initiative in 1980 requiring disclosure of acts by lobbyists and business interests of elected officials. The commissioner has responsibility for the ethical standards of conduct for legislators, public officers, and state employees pursuant to Title 2, Chapter 2, MCA.

Summary of Legislative Action

The budget for the Commissioner of Political Practices for the 2003 biennium is a 1.8 percent increase over the 2001 biennium level. This increase is due entirely to statewide adjustments.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg - Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg - Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	5.00	5.00	5.00	0.00	5.00	5.00	0.00	
Personal Services	149,492	178,542	178,542	0	179,748	179,748	0	0
Operating Expenses	167,637	172,686	172,061	(625)	167,864	167,239	(625)	(1,250)
Total Costs	\$317,129	\$351,228	\$350,603	(\$625)	\$347,612	\$346,987	(\$625)	(\$1,250)
General Fund	317,129	351,228	350,603	(625)	347,612	346,987	(625)	(1,250)
Total Funds	\$317,129	\$351,228	\$350,603	(\$625)	\$347,612	\$346,987	(\$625)	(\$1,250)

Executive Budget Comparison

With the exception of statewide global adjustments to the Executive Budget applied to all agencies, the legislature approved the agency budget as recommended.

Funding

The Commissioner of Political Practices is funded with general fund. The commissioner charges nominal fees for printing and distribution, receives filing fees from lobbyists, and can levy civil fines for violation of campaign laws. These revenues are less than \$5,000 annually and are deposited in the general fund.

Present Law Adjustments										
Fiscal 2002						Fiscal 2003				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					29,050					30,256
Vacancy Savings					0					0
Inflation/Deflation					(355)					(348)
Fixed Costs					6,836					2,006
Total Statewide Present Law Adjustments					\$35,531					\$31,914
DP 696 - Data Network Fixed Cost Reduction										
	0.00	(54)	0	0	(54)	0.00	(54)	0	0	(54)
DP 698 - Rent Reduction - Use of Capitol Land Grant										
	0.00	(1,432)	0	0	(1,432)	0.00	(1,431)	0	0	(1,431)
Total Other Present Law Adjustments										
	0.00	(\$1,486)	\$0	\$0	(\$1,486)	0.00	(\$1,485)	\$0	\$0	(\$1,485)
Grand Total All Present Law Adjustments					\$34,045					\$30,429

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

New Proposals										
Fiscal 2002						Fiscal 2003				
Program	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 693 - Statewide 25 Percent Travel Reduction										
01	0.00	(571)	0	0	(571)	0.00	(571)	0	0	(571)
Total	0.00	(\$571)	\$0	\$0	(\$571)	0.00	(\$571)	\$0	\$0	(\$571)

New Proposals

DP 693 - Statewide 25 Percent Travel Reduction - The legislature made a reduction in general fund each year equivalent to 25 percent of all general fund expenditures for travel in the fiscal 2000 budget base. This reduced general fund for the Commissioner of Political Practices by \$1,142.

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	67.00	1.50	1.00	69.50	1.50	1.00	69.50	69.50
Personal Services	2,517,995	200,315	32,053	2,750,363	216,686	32,167	2,766,848	5,517,211
Operating Expenses	694,976	188,171	28,023	911,170	102,396	25,377	822,749	1,733,919
Equipment	0	15,655	0	15,655	15,655	0	15,655	31,310
Grants	0	0	0	0	0	0	0	0
Total Costs	\$3,212,971	\$404,141	\$60,076	\$3,677,188	\$334,737	\$57,544	\$3,605,252	\$7,282,440
General Fund	1,006,595	(656,296)	(12,039)	338,260	(657,601)	(12,071)	336,923	675,183
State/Other Special	2,206,376	1,060,437	72,115	3,338,928	992,338	69,615	3,268,329	6,607,257
Total Funds	\$3,212,971	\$404,141	\$60,076	\$3,677,188	\$334,737	\$57,544	\$3,605,252	\$7,282,440

Agency Description

The Office of the State Auditor is authorized under Article VI of the Montana Constitution. The State Auditor is the ex-officio Commissioner of Insurance and Securities and is responsible for licensing and regulating insurance companies and agents, and registering and regulating securities dealers in the state. The auditor also adopts rules and administers reform for the insurance and securities industries operating in the state.

Summary of Legislative Action

The total budget for the State Auditor for the 2003 biennium is \$7.3 million, including \$6.6 million in state special revenue. The budget includes \$738,878 in present law adjustments and \$117,620 in new proposals. The agency budget includes statewide assessments and 4 percent vacancy savings. The appropriation for the State Auditor is \$7,282,440, or 18.4 percent lower than the 2001 biennium appropriation of \$8,924,075. Much of the agency budget decrease is based on elimination of a \$2.0 million restricted biennial appropriation for the Montana Comprehensive Health Association. The overall decrease includes a reduction in general fund from \$3,434,473 in the 2001 biennium to \$675,183 in the 2003 biennium (see the Agency Discussion below).

The legislature approved 2.5 new FTE for the State Auditor. These FTE include: 1) a 0.5 FTE personnel specialist in the Central Management Program; 2) one new attorney in a shared position (0.5 FTE in the Insurance Program and 0.5 FTE in the Securities Program); and 3) a 1.0 FTE compliance specialist in the Insurance Program.

The agency will also replace two lektreiver circular filing systems during the 2003 biennium.

Other Legislation

House Bill 542 – This bill provides for the surplus lines stamping fee operation collection to be conducted by the Auditor's Office. This process requires 1.0 FTE and \$101,730 in state special revenue during the 2003 biennium. Funding for this bill is included in HB 2.

Senate Bill 373 – SB 373 provides for licensing and regulation of captive insurers. This includes \$30,000 general fund and \$40,000 state special revenue during the 2003 biennium. Funding for this bill is included in HB 2.

Senate Bill 315 – The Montana Comprehensive Health Association is a health insurer of last resort supported by an assessment on all health insurance carriers and participant paid premiums. SB 315 allows the Montana Comprehensive Health Association to adopt a sliding scale of premium rates for participation by low-income persons.

Agency Discussion

The budget approved by the legislature reflects a shift in funding for the Auditor's Office away from reliance on the general fund and more toward reliance on state special revenue from increased Insurance and Securities Fees. The State Auditor's Office, with legislative support, increased and consolidated Insurance and Securities Fees to the industry during

the 2001 biennium. Phased-in over the biennium, fees that were deposited to the general fund are now deposited to the state special revenue account, and general fund appropriations were reduced and state special revenue appropriations were increased.

The change in revenue flow and legislative appropriation indicate a current ratio of 10 cents general fund for every 90 cents of state special revenue in the 2003 biennium. The 2001 biennial ratio was 70 cents general fund to 30 cents state special revenue. This revenue change is reflected across all of the Auditor's Office programs.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg – Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg – Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	67.00	68.50	69.50	1.00	68.50	69.50	1.00	
Personal Services	2,517,995	2,718,310	2,750,363	32,053	2,734,681	2,766,848	32,167	64,220
Operating Expenses	694,976	883,795	911,170	27,375	798,020	822,749	24,729	52,104
Equipment	0	15,655	15,655	0	15,655	15,655	0	0
Grants	0	0	0	0	0	0	0	0
Total Costs	\$3,212,971	\$3,617,760	\$3,677,188	\$59,428	\$3,548,356	\$3,605,252	\$56,896	\$116,324
General Fund	1,006,595	350,370	338,260	(12,110)	349,065	336,923	(12,142)	(24,252)
State/Other Special	2,206,376	3,267,390	3,338,928	71,538	3,199,291	3,268,329	69,038	140,576
Total Funds	\$3,212,971	\$3,617,760	\$3,677,188	\$59,428	\$3,548,356	\$3,605,252	\$56,896	\$116,324

Executive Budget Comparison

With the exception of global adjustments made to all agencies, the legislature approved the budget as proposed by the executive with two exceptions: 1) state special revenue and 1.0 FTE compliance specialist were added as a result of the passage of HB 542, which provides for regulation of surplus lines; and 2) state special revenue was added to implement SB 373, which provides for licensure of captive insurers.

Language

Item [Securities] includes a reduction of general fund of \$2,890 in fiscal 2002 and \$2,890 in fiscal 2003. This reduction is the equivalent of a 10 percent reduction in fiscal 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each year.

Item [Securities] includes a reduction of \$9,149 in fiscal 2002 and \$9,181 in fiscal 2003 of general fund. The office may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	9.50	0.50	0.00	10.00	0.50	0.00	10.00	10.00
Personal Services	332,473	72,264	0	404,737	74,722	0	407,195	811,932
Operating Expenses	91,019	35,865	0	126,884	27,062	0	118,081	244,965
Total Costs	\$423,492	\$108,129	\$0	\$531,621	\$101,784	\$0	\$525,276	\$1,056,897
General Fund	152,416	(152,416)	0	0	(152,416)	0	0	0
State/Other Special	271,076	260,545	0	531,621	254,200	0	525,276	1,056,897
Total Funds	\$423,492	\$108,129	\$0	\$531,621	\$101,784	\$0	\$525,276	\$1,056,897

Program Description

The Central Management Division Program provides administrative, personnel, budgeting, and accounting functions for the Auditor's Office. The division also supports the Auditor with representation on the State Land Board and the Hail Insurance Board.

Funding

This program is funded from the Insurance Fee and the Securities Fee accounts, which draw their revenue from percentages charged to the industry on the sale of insurance and securities in the State of Montana.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				61,429						63,895
Vacancy Savings				(8,392)						(8,456)
Inflation/Deflation				(180)						(163)
Fixed Costs				22,108						15,721
Total Statewide Present Law Adjustments				\$74,965						\$70,997
DP 1 - Rent Adjustment										
0.00	0	11,129	0	11,129	0.00	0	11,596	0	11,596	
DP 2 - Personnel Position										
0.50	0	26,305	0	26,305	0.50	0	23,482	0	23,482	
DP 696 - Data Network Fixed Cost Reduction										
0.00	0	(92)	0	(92)	0.00	0	(92)	0	(92)	
DP 699 - Vacancy Savings at 4 Percent										
0.00	0	(4,178)	0	(4,178)	0.00	0	(4,199)	0	(4,199)	
Total Other Present Law Adjustments										
0.50	\$0	\$33,164	\$0	\$33,164	0.50	\$0	\$30,787	\$0	\$30,787	
Grand Total All Present Law Adjustments				\$108,129						\$101,784

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Rent Adjustment - The legislature approved funds for rental adjustment based on the lease agreement negotiated by the General Services Division of the Department of Administration. The annual rate will increase at two percent per year and is consistent with the annual rent rate paid by other state agencies.

DP 2 - Personnel Position - The legislature approved \$49,787 state special revenue funds for the 2003 biennium for the Auditor's Office to hire a 0.5 FTE personnel director. This eliminates the need to share personnel duties between two current full-time employees.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from the agency budget.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	46.00	0.50	1.00	47.50	0.50	1.00	47.50	47.50
Personal Services	1,804,457	77,944	41,202	1,923,603	88,766	41,348	1,934,571	3,858,174
Operating Expenses	507,730	125,350	30,913	663,993	54,561	28,267	590,558	1,254,551
Equipment	0	15,655	0	15,655	15,655	0	15,655	31,310
Grants	0	0	0	0	0	0	0	0
Total Costs	\$2,312,187	\$218,949	\$72,115	\$2,603,251	\$158,982	\$69,615	\$2,540,784	\$5,144,035
General Fund	512,384	(512,384)	0	0	(512,384)	0	0	0
State/Other Special	1,799,803	731,333	72,115	2,603,251	671,366	69,615	2,540,784	5,144,035
Total Funds	\$2,312,187	\$218,949	\$72,115	\$2,603,251	\$158,982	\$69,615	\$2,540,784	\$5,144,035

Program Description

The Insurance Division Program regulates all Montana insurance industries. The Policyholder Services Bureau resolves insurance consumer inquiries involving coverage, agents, and companies. The Examinations Bureau monitors financial solvency of insurance companies, collects taxes and fees, and audits annual statements. The Rates and Forms Bureau reviews form and rate filings for compliance with the insurance code. The Licensing Bureau educates and licenses agents, agencies, and adjusters. The Investigations Bureau investigates and refers prosecution of alleged civil and criminal insurance code and rule violations.

Funding

This program is funded from the insurance fee account, which draws its revenue from a percentage charge against every insurance policy sold in the state, as well as from charges for insurance company examinations, and fees paid by individual agents.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				127,739					138,917
Vacancy Savings				(52,974)					(53,309)
Inflation/Deflation				113					1,339
Fixed Costs				(18,908)					(37,276)
Total Statewide Present Law Adjustments				\$55,970					\$49,671
DP 1 - Rent Adjustment									
0.00	0	38,906	0	38,906	0.00	0	41,709	0	41,709
DP 2 - Insurance/Securities Attorney									
0.50	0	29,049	0	29,049	0.50	0	27,690	0	27,690
DP 3 - Records Retention									
0.00	0	12,655	0	12,655	0.00	0	12,655	0	12,655
DP 4 - Examination Costs									
0.00	0	107,234	0	107,234	0.00	0	52,234	0	52,234
DP 696 - Data Network Fixed Cost Reduction									
0.00	0	(445)	0	(445)	0.00	0	(445)	0	(445)
DP 699 - Vacancy Savings at 4 Percent									
0.00	0	(24,420)	0	(24,420)	0.00	0	(24,532)	0	(24,532)
Total Other Present Law Adjustments									
0.50	\$0	\$162,979	\$0	\$162,979	0.50	\$0	\$109,311	\$0	\$109,311
Grand Total All Present Law Adjustments				\$218,949					\$158,982

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Rent Adjustment - The legislature approved \$80,615 state special revenue funds in the 2003 biennium for rental adjustments based on the lease agreement for space in the old Shodair Hospital that was negotiated by the General Services Division. The annual rate will increase at two percent per year and is consistent with the annual rent rate paid by other state agencies.

DP 2 - Insurance/Securities Attorney - The legislature approved \$56,739 funds in the 2003 biennium to provide a 1.0 FTE attorney at grade 17. This is half of the funding for this position with the other half of the funding in the Securities Program. For workload, this position is allocated halftime to the Insurance Program and halftime to the Securities Program.

DP 3 - Records Retention - The legislature approved \$25,310 state special revenue funds in the 2003 biennium to begin replacement of the six 25-year-old lektriever carousal filing systems used to store records. Replacement will be one lektriever per year during the next biennium. The legislature encouraged the Auditor to select newer designed systems if they are available at the time of purchase.

DP 4 - Examination Costs - The legislature approved \$159,468 state special revenue funds to conduct insurance examinations in both years of the 2003 biennium.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from the agency budget.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 504 - Licensing Captive Insurers 03	0.00	0	20,000	0	20,000	0.00	0	20,000	0	20,000
DP 505 - Surplus Lines Fees 03	1.00	0	52,115	0	52,115	1.00	0	49,615	0	49,615
Total	1.00	\$0	\$72,115	\$0	\$72,115	1.00	\$0	\$69,615	\$0	\$69,615

New Proposals

DP 504 - Licensing Captive Insurers - The legislature approved \$40,000 state special revenue in the 2003 biennium as a restricted appropriation to the State Auditor's Insurance Program to fund the licensing and regulation of captive insurers per SB 373.

DP 505 - Surplus Lines Fees - The legislature approved \$101,730 state special revenue in the 2003 biennium to fund the collection of stamping fees and the regulation of surplus lines per HB 542. This includes an additional 1.0 FTE.

Language

Item [SB 273-Licensing Captive Insurers] is contingent upon passage and approval of SB 373.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	11.50	0.50	0.00	12.00	0.50	0.00	12.00	12.00
Personal Services	381,065	50,107	(9,149)	422,023	53,198	(9,181)	425,082	847,105
Operating Expenses	96,227	26,956	(2,890)	120,293	20,773	(2,890)	114,110	234,403
Total Costs	\$477,292	\$77,063	(\$12,039)	\$542,316	\$73,971	(\$12,071)	\$539,192	\$1,081,508
General Fund	341,795	8,504	(12,039)	338,260	7,199	(12,071)	336,923	675,183
State/Other Special	135,497	68,559	0	204,056	66,772	0	202,269	406,325
Total Funds	\$477,292	\$77,063	(\$12,039)	\$542,316	\$73,971	(\$12,071)	\$539,192	\$1,081,508

Program Description

The Securities Division Program administers and enforces the Securities Act of Montana, which includes the responsibility for registering securities dealers. The division is responsible for investigating unregistered and/or fraudulent securities transactions, including sole jurisdiction of investment firms with less than \$25 million in assets. This program also refers alleged violators for prosecution.

Funding

This program is funded with general fund and state special revenue from the Securities Fee Account, which derives revenue from Securities Portfolio Registration Fees.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					39,433					42,559
Vacancy Savings					(11,340)					(11,434)
Inflation/Deflation					(226)					(137)
Fixed Costs					(4,243)					(9,688)
Total Statewide Present Law Adjustments					\$23,624					\$21,300
DP 1 - Rent Adjustment										
	0.00	10,608	7,478	0	18,086	0.00	11,071	7,638	0	18,709
DP 2 - Insurance/Securities Attorney										
	0.50	0	29,049	0	29,049	0.50	0	27,690	0	27,690
DP 3 - Examination Costs										
	0.00	0	12,000	0	12,000	0.00	0	12,000	0	12,000
DP 696 - Data Network Fixed Cost Reduction										
	0.00	(71)	(40)	0	(111)	0.00	(71)	(40)	0	(111)
DP 699 - Vacancy Savings at 4 Percent										
	0.00	(3,895)	(1,690)	0	(5,585)	0.00	(3,918)	(1,699)	0	(5,617)
Total Other Present Law Adjustments										
	0.50	\$6,642	\$46,797	\$0	\$53,439	0.50	\$7,082	\$45,589	\$0	\$52,671
Grand Total All Present Law Adjustments					\$77,063					\$73,971

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Rent Adjustment - The legislature approved \$36,795 in the 2003 biennium for rental adjustments based on the lease agreement for the old Shodair Hospital that was negotiated by the General Services Division. This includes \$21,679 general fund and \$15,116 state special revenue. The annual rate will increase at two percent per year and is consistent

with the annual rent rate paid by other state agencies.

DP 2 - Insurance/Securities Attorney - The legislature approved \$56,739 state special revenue funds in the 2003 biennium to provide a 1.0 FTE attorney at grade 17. This funding is half of the cost to fund this position. Workload for this position is to be allocated halftime to the Insurance Program and halftime to the Securities Program.

DP 3 - Examination Costs - The legislature approved \$24,000 state special revenue funds to conduct securities examinations. Funds will be used only if examinations are necessary.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from the agency budget.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 690 - Personal Services Reduction of General Funds										
04	0.00	(9,149)	0	0	(9,149)	0.00	(9,181)	0	0	(9,181)
DP 693 - Statewide Travel Reduction										
04	0.00	(2,890)	0	0	(2,890)	0.00	(2,890)	0	0	(2,890)
Total	0.00	(\$12,039)	\$0	\$0	(\$12,039)	0.00	(\$12,071)	\$0	\$0	(\$12,071)

New Proposals

DP 690 - Personal Services Reduction of General Funds - The legislature reduced personal services by \$18,330 general fund. No actual FTE were reduced.

DP 693 - Statewide Travel Reduction - The legislature made a reduction in general fund each year equivalent to 10 percent of all general fund expenditures for travel in the fiscal 2000 budget base. This reduction equaled \$5,780 general fund. The entire reduction was made to this division, with the allowance that the agency could reallocate this reduction among divisions when developing 2003 biennium operating plans.

Language

Item [Securities Program] includes a reduction of general fund money of \$2,890 in fiscal 2002 and \$2,890 in fiscal 2003. This reduction is a reduction in fiscal 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item [Securities] includes a reduction of \$9,149 in fiscal 2002 and \$9,181 in fiscal 2003 of general fund. The office may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	2,116.66	62.14	(11.27)	2,167.53	65.80	(11.02)	2,171.44	2,171.44
Personal Services	80,918,034	9,618,298	1,354,642	91,890,974	10,171,342	1,378,092	92,467,468	184,358,442
Operating Expenses	321,866,888	38,821,126	7,776,767	368,464,781	47,477,934	9,407,883	378,752,705	747,217,486
Equipment	1,308,305	313,437	0	1,621,742	(35,063)	0	1,273,242	2,894,984
Capital Outlay	12,319,921	0	0	12,319,921	0	0	12,319,921	24,639,842
Local Assistance	250,000	0	(250,000)	0	0	(250,000)	0	0
Grants	6,253,311	1,681,009	6,670,525	14,604,845	1,090,900	9,021,750	16,365,961	30,970,806
Transfers	15,143	0	0	15,143	0	0	15,143	30,286
Debt Service	6,445	0	0	6,445	0	0	6,445	12,890
Total Costs	\$422,938,047	\$50,433,870	\$15,551,934	\$488,923,851	\$58,705,113	\$19,557,725	\$501,200,885	\$990,124,736
General Fund	250,000	0	(250,000)	0	0	(250,000)	0	0
State/Other Special	179,411,483	21,345,211	(26,826,774)	173,929,920	21,871,481	(25,863,645)	175,419,319	349,349,239
Federal Special	243,276,564	29,088,659	42,628,708	314,993,931	36,833,632	45,671,370	325,781,566	640,775,497
Total Funds	\$422,938,047	\$50,433,870	\$15,551,934	\$488,923,851	\$58,705,113	\$19,557,725	\$501,200,885	\$990,124,736

Agency Description

The Department of Transportation (MDT) is responsible for serving the public by establishing and maintaining a transportation system that emphasizes safety, environmental preservation, cost-effectiveness, and quality.

Summary of Legislative Action

The legislative budget reflects staffing increases of 54.78 FTE and total budget increases of \$144.2 million for the biennium over the base (\$117.0 million or 13.4 percent over the 2001 biennium). Present law increases account for roughly \$109.1 million or 75.7 percent of the budget growth. Nearly 86 percent of the present law increases can be explained by the four more significant adjustments: 1) increases for contractor payments that are directly tied to the increased federal highway construction funding from the Transportation Equity Act for the 21st Century (TEA-21) (\$37.2 million); 2) an accounting policy change related to a legislative audit finding (\$29.7 million); 3) an adjustment to fully implement the department's assumption of maintenance of paved secondary roads (\$15.3 million); and 4) overtime and differential pay across the agency (\$11.6 million). Statewide adjustments and all other present law adjustments account for the remaining \$15.3 million present law increases.

Two new proposals approved by the legislature added federal funds totaling \$28.4 million, or nearly 80.9 percent of the growth resulting from all new proposals. Montana's local communities and its congressional delegates succeeded in obtaining \$11.3 million in federal funds for earmarked local transportation and economic development projects. A sanction on federal highway construction funds resulted in an increase of \$17.1 million because Montana law does not meet federal requirements associated with open container and repeat intoxicated driver sentencing laws. This sanction directs that a percentage of Montana's federal authorization of highway construction funds must be used for projects directed to state and local law enforcement for enhancements of driving under the influence enforcement or for hazard elimination activities. The funding was taken from the current allocation that has not yet been committed by the department, so it will effectively impact future year projects.

The legislature also removed all general fund for the department. In doing so, \$250,000 general fund was removed for each fiscal year of the 2003 biennium. The funding had previously been used to fund grants for county drinking and driving prevention programs in accordance with 61-2-106, MCA.

The legislature directed that FTE positions that were vacant for more than seven months should be removed from the base budget when building the 2005 biennium Executive Budget. The language that directed this action is contained in HB 2, Section 9, and reduces the department by 49.27 FTE.

Other legislation passed by the legislature would have a positive impact on the highways state special revenue account of \$792,091 for the 2003 biennium. Other legislation would have a negative impact in the 2005 biennium of nearly \$1.5 million. The legislation with impacts on revenue or expenditures of the department are described below under the heading, Other Legislation.

Agency Discussion

Agency Funding

Sources of Revenue

The department is primarily funded from a combination of state special revenue and federal special revenue funds. State special revenue funds can be grouped into two general categories: those that are constitutionally-protected and those that are not. The Constitution of the State of Montana states that revenues from gross vehicle weight fees and excise and license taxes on gasoline, fuel, and other energy sources that are used to propel vehicles on public highways are to be used solely for paying obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges and for enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Constitutionally protected revenues comprise roughly 93 percent of MDT total state special revenues. The remaining 7 percent of state special revenues are derived from special use permits and motor fuel penalties and interest payments. Federal aid for highway construction is primarily realized from the distribution of revenue derived from the federally-imposed excise tax on motor fuels. Montana has historically received significantly more federal-aid highway construction funds than are collected in federal motor fuels excise taxes from Montana sources.

Transportation Equity Act for the 21st Century

The department receives federal-aid construction funding from the Federal Highway Administration (FHWA). The federal legislation that authorizes this funding is the Transportation Equity Act for the 21st Century (TEA-21). Montana receives, on average, roughly \$260 million per year in federal apportionment for highway construction and related activities. TEA-21 is a 6-year authorization act and is scheduled to expire at the end of federal fiscal 2003. As such, TEA-21 expires in the first quarter of state fiscal 2004.

Sliding Scale Match

Montana receives federal highway construction funds based on a sliding scale match formula that includes factors for the amount of federal land in the state and the amount of financial contribution the state makes to maintain the federal-aid highway system with state dollars. Montana's current match ratio is 87 percent federal to 13 percent state for reimbursable federal-aid projects. In order to maintain this favorable match, Montana must fully fund a certain level of construction activity with state funds. The department estimates that roughly \$10 million is the annual level of 100 percent state construction funds needed to maintain the current match ratio.

In order to utilize all of the federal funds apportioned to the state, state funds must be available to provide: 1) planning functions required in TEA-21; 2) maintenance of the federal-aid highway system to FHWA standards; 3) adequate management and oversight of federal-aid construction projects; 4) a minimum construction program supported by 100 percent state funds (\$10 million annually); 5) matching funds for federal-aid construction funds; and 6) adequate working capital to pay operating expenses with 100 percent state funds until federal reimbursement is provided. In the past, the department has stated that it needs a minimum working capital balance of \$10 million to pay operating expenses.

Highways State Special Revenue Account Financial Condition

Working Capital Projections

An analysis of the highways state special revenue account projects that the working capital balance of the account would be depleted and the account would be in a position in which short-term borrowing would be needed to cover operating expenses during the 2003 biennium and beyond. The analysis indicates that the account will remain, as it is now, in a financial position in which expenditures exceed revenues. The projections show that revenues are short by roughly \$6.4 million to maintain a positive account balance and fully expend the appropriation authority for the 2003 biennium.

Assumptions

Expenditures used in the analysis are:

- Appropriations for fiscal 2001
- Legislative budget for the 2003 biennium
- 2003 estimates inflated by 3 percent annually for the 2005 biennium, except for the pay plan, capital projects, and where a specified distribution is included in law

Revenues used in the analysis are:

- Revenue estimates contained in HJR 2 for gross vehicle weight (GVW) fees, gasoline taxes, and diesel taxes for fiscal 2001 and the 2003 biennia
- HJR 2 fiscal 2003 estimates for GVW fees, gasoline taxes, and diesel taxes inflated annually for the 2005 biennium by the same annual inflation factors included in the adopted estimates
- Fiscal 2000 actual revenues without any inflation for the remaining revenues

Impacts of legislation are amounts contained in the most recent fiscal notes that accompany the legislation. The legislation included in the analysis are those listed below under the heading, Other Legislation. The analysis does not include potential impacts for HB 578 and HB 644. HB 578 extended the tax incentive for production of alcohol but would not have a fiscal impact until an alcohol production facility begins producing alcohol to be blended with motor fuels. There are currently no facilities that are licensed or seeking a license to produce alcohol that would qualify for the tax incentive of HB 578. HB 644 provides reduced taxes for gasohol and bio-diesel. The tax reductions from HB 644 do not become effective until an ethanol plant begins producing ethanol and until the net working capital in the highway state special revenue account reaches \$20 million on the last day of a fiscal year. As the analysis indicates, the working capital balance is not projected to reach \$20 million in the foreseeable future, so the tax reductions of HB 644 are not anticipated to become effective.

Highways State Special Revenue Account Stability

Table 1 shows projections of revenues, expenditures, and working capital for the highways state special revenue account. The table shows that expenditures are projected to continue to exceed revenues through the 2005 biennium. This imbalance will decrease somewhat in fiscal years 2003 and 2004 when, in fiscal 2003, the final payment on long-term debt is made. In fiscal 2004, the imbalance is projected to be at its lowest point, but is projected to grow after fiscal 2004 as the growth rate of expenditures continues to exceed the growth rate of revenues.

If debt service and transfers and other uses of funds are ignored, the growth rate for expenditures has exceeded and is expected to continue to exceed the growth rate for revenues. The primary factors for this disparity are: 1) growth in revenue from the highest revenue sources of gasoline and diesel taxes and GVW fees are reliant on usage increases, which are inversely tied to inflationary increases; 2) 34 percent of department expenditures from the account are for personal services costs, which have consistently grown at or above the rate of inflation; 3) construction cost increases are more closely tied to inflationary growth factors, which have consistently outpaced growth in usage; and 4) construction and maintenance costs are linked to usage factors and tend to compound the impacts of inflation.

Without some type of intervention to bring the revenue and expenditure growth in line with one another, the account is projected to remain in a situation where expenditures are greater than revenues. Given this scenario, working capital reserves would be further depleted each year thereafter. Eventually, this would lead to the need for either a fee or tax increase to increase revenues or a reduction of services to reduce expenditures.

Table 1
Working Capital Analysis - Highways State Special Revenue Account
Fiscal Years 2000 - 2005

	Fiscal 2000 Actual	Fiscal 2001 Approp.	Fiscal 2002 Estimate	Fiscal 2003 Estimate	Fiscal 2004 Estimate	Fiscal 2005 Estimate
Beginning Working Capital Balance	\$48,974,472	\$23,542,223	\$5,643,614	(\$3,669,597)	(\$6,429,222)	(\$7,838,648)
Revenues						
Gasoline tax	124,679,120	121,419,000	122,739,000	123,382,000	124,376,459	125,378,933
Diesel tax	54,259,213	55,345,000	56,452,000	58,145,000	59,598,625	61,088,591
G.V.W.	33,934,696	32,366,000	29,666,000	29,821,000	29,976,666	30,133,144
Other revenue	6,266,231	6,266,231	6,266,231	6,266,231	6,266,231	6,266,231
Interest	-	-	-	-	-	-
Total Revenues	\$219,139,260	\$215,396,231	\$215,123,231	\$217,614,231	\$220,217,981	\$222,866,899
Expenditures						
Department of Transportation (MDT)						
General Operations Program	14,010,603	14,247,946	17,035,495	16,736,844	17,238,949	17,756,118
Tribal refunds - SA	24,435	28,036	24,720	24,798	25,542	26,308
Construction Program	90,891,133	71,687,402	71,584,203	74,292,575	76,521,352	78,816,993
Maintenance Program	69,930,872	79,608,356	76,038,112	76,230,890	78,517,817	80,873,351
Motor Carrier Services Program	4,823,500	5,040,654	4,977,367	4,994,990	5,144,840	5,299,185
Transportation Planning Program	1,560,620	1,846,743	2,111,352	1,819,985	1,874,585	1,930,822
Debt service/ bond principle and interest	13,536,080	13,935,352	13,936,852	3,798,551	-	-
Total MDT Expenditures	\$194,777,243	\$186,394,489	\$185,708,101	\$177,898,633	\$179,323,084	\$184,702,777
County gasoline tax distribution - SA	10,389,000	10,389,000	10,360,000	10,360,000	10,360,000	10,360,000
City gasoline tax distribution - SA	6,323,000	6,323,000	6,306,000	6,306,000	6,306,000	6,306,000
Local technical assistance - SA	54,000	54,000	100,000	100,000	100,000	100,000
Total Local Distribution	\$16,766,000	\$16,766,000	\$16,766,000	\$16,766,000	\$16,766,000	\$16,766,000
Department of Justice (DOJ)	16,494,329	17,081,042	17,968,013	18,233,782	18,780,795	19,344,219
HB 5 Long-Range Building Program (construction, maintenance, and repair of MDT buildings)	1,897,948	2,509,907	2,500,000	2,500,000	1,150,000	1,150,000
HB 5 Long-Range Building Program (Dept. of Fish, Wildlife & Parks)	502,091	1,656,504	200,000	200,000	200,000	200,000
MDT estimated 4% pay plan and benefits			1,533,285	4,123,298	4,123,298	4,123,298
DOJ estimated 4% pay plan and benefits			327,053	878,224	878,224	878,224
Transfers and other uses of funds	5,482,201	8,886,898	-	-	-	-
Total Expenditures	\$235,919,812	\$233,294,840	\$225,002,452	\$220,599,937	\$221,221,402	\$227,164,518
Impacts of Legislation (2001 legislature)			\$566,010	\$226,081	(\$406,005)	(\$1,073,369)
Adjustments for prior year activity	(8,651,697)					
Ending Working Capital Balance	\$23,542,223	\$5,643,614	(\$3,669,597)	(\$6,429,222)	(\$7,838,648)	(\$13,209,637)
Structural Balance (Imbalance)	(16,780,552)	(17,898,609)	(9,313,211)	(2,759,625)	(1,409,426)	(5,370,989)

Other Legislation

Senate Bill 115 - SB 115 repealed the terminating language associated with Chapter 461, Laws of 1999, and made permanent the revised definitions of agricultural use for gasoline and special fuel tax refund purposes. The 1999 legislature provided one time funding for 1.0 FTE to administer the revised refund process. However, the 2001 legislature did not provide funding to continue the 1.0 FTE to administer the process made permanent by SB 115. The department estimated the cost for the 1.0 FTE at \$39,368 for the 2003 biennium.

Senate Bill 150 - SB 150 imposes a penalty on retail fuel outlets for failing to properly mark pumps that dispense untaxed diesel fuel (dyed diesel). The net fiscal impact of SB 150 is estimated to be increased revenues of \$13,000 for the 2003 biennium. The department did not request funding for the estimated \$2,350 costs to implement SB 150.

Senate Bill 153 - SB 153 increased the penalty for late payment of gasoline and special fuel taxes from \$25 to \$100, but added a provision that allowed the penalty to be prorated. The department estimates that SB 153 will result in \$9,100 revenue reduction for the 2003 biennium.

Senate Bill 280 - SB 280 reinstated the \$0.01 per gallon tax on aviation fuel that sunset when the tax proceeds into the aeronautics loan account reached \$1 million on January 1, 2001. The reinstated tax will be used to fund airport development grants to airports in Montana. The department estimates that \$300,000 revenue will be generated from the reinstated tax. The legislature provided budget authority to provide \$300,000 in grants for the biennium. For a further discussion of this budget item, refer to new proposal DP 43 in the Aeronautics Program.

Senate Bill 326 - SB 326 revised laws governing weed management. In doing so, SB 326 directs that \$100,000 is transferred each year from the non-restricted highways state special revenue account to the noxious weed state special revenue account. SB 326 terminates on March 1, 2006, so \$500,000 will be transferred from the highways state special revenue account prior to the current law sunset. During the 2003 biennium, \$200,000 will be transferred out of the highways state special revenue account.

Senate Bill 380 - SB 380 revised the length restrictions and fees for triple trailers. The department estimates that the revised restrictions will result in \$13,256 lower revenues for the highways state special revenue account during the 2003 biennium.

Senate Bill 448 - SB 448 increased the vehicle registration fee by \$0.25 a year and designated that the funds from the increased tax are to be deposited into the highways state special revenue account. The proceeds from the increased tax are designated to fund transportation services for senior citizens and persons with disabilities. The department estimates that the registration fee increase will increase revenues by \$518,411 for the biennium. The legislature increased the budget authority by \$518,411 for the department to provide grants for transportation services designated by the bill.

House Bill 5 - For the 2003 biennium, HB 5 appropriated to the department \$2.7 million highways state special revenue for construction equipment storage buildings statewide and \$2.3 million highways state special revenue for maintenance, repair, and small capital improvement projects statewide. The bill also appropriated \$400,000 highways state special revenue to the Department of Fish, Wildlife and Parks for state park roads.

House Bill 124 - HB 124 revised local government funding laws. HB 124 changed where revenues from fees and taxes previously collected by the counties are to be deposited. For the most part, these revenues are to be deposited in the state general fund. Impacts on counties are offset by entitlement payments made from the state general fund. Impacts to state accounts are offset by fund transfers from the general fund to the impacted fund. However, some revenues are deposited in other designated accounts such as the highways state special revenue account. The effects of HB 124 must be taken in context with the effects of HB 247. The net effect of HB 124 in combination with HB 247 for the highways state special revenue account is a revenue reduction of \$680,303 for the 2003 biennium. The net effect in the 2005 biennium increases to a revenue reduction of \$2,970,668 for the highways state special revenue account. The impacts of HB 124 and HB 247 shown here are different than that shown on the latest fiscal notes and are based on an analysis of the bills by the Legislative Fiscal Division.

House Bill 131 - HB 131 provides authority for department motor carrier enforcement personnel to stop and inspect diesel-powered motor vehicles for the presence of non-taxed dyed diesel fuel in their supply tanks. The department estimates that the increased enforcement provided by HB 131 would increase revenues for the highways state special revenue account by \$1,736,950 for the biennium, after netting out the costs to administer the provisions of the bill.

House Bill 148 - HB 148 revised laws on electronic filing for gasoline and special fuels taxes. The department estimates that HB 148 would result in a \$55,200 revenue reduction to the highways state special revenue account primarily due to reduced interest revenues. Costs to implement electronic filing of fuel taxes were approved by the legislature in present law decision packages DP 4, Contracted Services, and DP 7, Lockheed Martin.

House Bill 247 - HB 247 provided a phase-in reduction of fees in lieu of taxes for heavy trucks. HB 247 will result in reduced revenues to the highways state special revenue account beginning in fiscal 2003. The reduced revenue impact of HB 247 on the highways state special revenue account is included in the above discussion for HB 124.

House Bill 392 - HB 392 increased the amount of gasoline and vehicle fuel tax allocated to the local technical assistance transportation program from \$54,000 per year to \$100,000 per year. Instead of increasing the overall amount of funds distributed through the statutory provisions of 15-70-101, MCA, the distributions to cities and counties were reduced proportionally.

House Bill 430 - HB 430 directed the Aeronautics Program of the department to provide grants for airport courtesy cars at Montana rural airports. The legislature approved funding for the department to provide two \$2,000 grants during each year of the biennium. For further discussion of the HB 430 budget item, refer to new proposal DP 42 in the Aeronautics Program.

House Bill 447 - HB 447 appropriated up to \$1 million federal special revenue to the department to plan for reconstructing and paving the road from state secondary Highway 29 to Marysville, Montana. HB 447 made the appropriation contingent upon Montana receiving federal funding specifically for this purpose.

House Bill 578 - HB 578 extended the tax incentive for the production of alcohol used to blend with gasoline for sale as gasohol or the production of ethyl butyl for use in reformulated gasoline. HB 578 extended the tax incentive from terminating in 2005 so it now terminates in 2010. Since there are no facilities currently licensed or planned to be licensed to produce alcohol, there is no fiscal impact of HB 578 for the 2003 biennium. However, if a facility is licensed in the future, the impact could be up to \$6 million revenue reduction from the highways state special revenue account until the incentive program terminates on July 1, 2010.

House Bill 644 - HB 644 reduces the state fuel tax on ethanol and biodiesel fuels to 85 percent of the tax rate on unblended fuels. There are no projected impacts from HB 644 during the 2003 biennium since the bill has an effective date that is contingent upon the occurrence of two conditions: 1) an ethanol plant being in operation and producing fuel in Montana; and 2) the net working capital in the restricted highway state special revenue account, excluding any proceeds obtained through debt financing, being at least \$20 million on June 30 after the ethanol plant begins producing fuels. When these conditions are satisfied, HB 644 is estimated to result in annual revenue reductions of \$593,074 to the highways state special revenue account, at the current level of gasohol consumption.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg – Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg – Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	2,116.66	2,226.80	2,167.53	(59.27)	2,231.71	2,171.44	(60.27)	
Personal Services	80,918,034	92,357,794	91,890,974	(466,820)	92,932,425	92,467,468	(464,957)	(931,777)
Operating Expenses	321,866,888	363,481,382	368,464,781	4,983,399	371,513,048	378,752,705	7,239,657	12,223,056
Equipment	1,308,305	1,700,864	1,621,742	(79,122)	1,297,138	1,273,242	(23,896)	(103,018)
Capital Outlay	12,319,921	12,319,921	12,319,921	0	12,319,921	12,319,921	0	0
Local Assistance	250,000	250,000	0	(250,000)	250,000	0	(250,000)	(500,000)
Grants	6,253,311	7,933,714	14,604,845	6,671,131	7,343,605	16,365,961	9,022,356	15,693,487
Transfers	15,143	15,143	15,143	0	15,143	15,143	0	0
Debt Service	6,445	7,791	6,445	(1,346)	7,791	6,445	(1,346)	(2,692)
Total Costs	\$422,938,047	\$478,066,609	\$488,923,851	\$10,857,242	\$485,679,071	\$501,200,885	\$15,521,814	\$26,379,056
General Fund	250,000	250,000	0	(250,000)	250,000	0	(250,000)	(500,000)
State/Other Special	179,411,483	174,782,385	173,929,920	(852,465)	176,159,067	175,419,319	(739,748)	(1,592,213)
Federal Special	243,276,564	303,034,224	314,993,931	11,959,707	309,270,004	325,781,566	16,511,562	28,471,269
Total Funds	\$422,938,047	\$478,066,609	\$488,923,851	\$10,857,242	\$485,679,071	\$501,200,885	\$15,521,814	\$26,379,056

Executive Budget Comparison

The legislative budget reflects a net increase over the Executive Budget of nearly \$26.4 million for the 2003 biennium. The major factors for the difference are: 1) addition of \$17.1 million federal funds for a federal sanction associated with open container and repeat drunk driving laws; 2) elimination of \$0.5 million general fund associated with the Governor's drinking and driving prevention program; and 3) addition of \$11.3 million in federal funds earmarked for local

transportation and economic development needs. Federal funds increased by nearly \$28.5 million, while general fund and state special revenue decreased by \$0.5 million and nearly \$1.6 million respectively as compared to the Executive Budget.

Language

The department may adjust appropriations in the Construction, Maintenance, and Transportation Planning Programs between state special and federal special revenue fund types if the total state special revenue authority for these programs is not increased by more than 10 percent of the total appropriations established by the legislature for each program. All transfers between fund types must be fully explained and justified by budget documents submitted to the Office of Budget and Program Planning, and all fund transfers of more than \$1 million in any 30-day period must be communicated to the Legislative Finance Committee in a written report.

All federal special revenue appropriations in the department are biennial.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	151.27	0.00	5.00	156.27	0.00	5.00	156.27	156.27
Personal Services	5,899,056	554,355	320,451	6,773,862	597,504	321,578	6,818,138	13,592,000
Operating Expenses	7,926,923	2,746,728	294,450	10,968,101	2,621,132	365,950	10,914,005	21,882,106
Equipment	172,010	294,937	0	466,947	(60,063)	0	111,947	578,894
Grants	75,606	0	0	75,606	0	0	75,606	151,212
Debt Service	750	0	0	750	0	0	750	1,500
Total Costs	\$14,074,345	\$3,596,020	\$614,901	\$18,285,266	\$3,158,573	\$687,528	\$17,920,446	\$36,205,712
State/Other Special	13,356,684	3,063,910	614,901	17,035,495	2,692,632	687,528	16,736,844	33,772,339
Federal Special	717,661	532,110	0	1,249,771	465,941	0	1,183,602	2,433,373
Total Funds	\$14,074,345	\$3,596,020	\$614,901	\$18,285,266	\$3,158,573	\$687,528	\$17,920,446	\$36,205,712

Program Description

The General Operations Program provides administrative support services for the department, including general administration and management; accounting and budgeting; public affairs; computer systems support; personnel; goods and services procurement; and administration of motor fuel taxes.

Funding

The General Operations Program is funded primarily from the highways state special revenue fund. The highways state special revenue fund receives revenue primarily from motor fuel taxes and gross vehicle weight permit fees. Federal funding is available for assistance for disadvantaged businesses, training, and fuel tax evasion prevention efforts. The General Operations Program receives federal funds for fuel tax evasion prevention efforts via a \$15,000 grant and 0.25 percent of the state's allotment of Surface Transportation Program funds. The program also receives federal reimbursement of certain administrative expenses that are directly related to a federal-aid project. For the 2003 biennium, state special revenue provides roughly 93.3 percent of the program's total funding; federal special revenue provides the remaining 6.7 percent.

Present Law Adjustments										
Fiscal 2002						Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services				749,769						789,230
Vacancy Savings				(183,216)						(184,400)
Inflation/Deflation				(34,618)						(28,799)
Fixed Costs				1,310,910						1,317,550
Total Statewide Present Law Adjustments				\$1,842,845						\$1,893,581
DP 1 - Overtime/Differential	0.00	0	71,707	0	71,707	0.00	0	77,080	0	77,080
DP 2 - Computer/Networking Equipment/Softw	0.00	0	294,937	0	294,937	0.00	0	(60,063)	0	(60,063)
DP 3 - PC and Laser Printer Replacement	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 4 - Contracted Services - ISB	0.00	0	356,958	0	356,958	0.00	0	313,134	0	313,134
DP 5 - Federal Training and HazMat Communication Program	0.00	0	85,374	143,497	228,871	0.00	0	49,874	143,497	193,371
DP 6 - Software	0.00	0	62,531	0	62,531	0.00	0	62,531	0	62,531
DP 7 - Lockheed Martin	0.00	0	462,929	0	462,929	0.00	0	474,645	0	474,645
DP 9 - EEO/ADA Training and Compliance	0.00	0	10,979	0	10,979	0.00	0	11,119	0	11,119
DP 10 - Equipment Rental	0.00	0	7,540	0	7,540	0.00	0	7,601	0	7,601
DP 12 - Fuel Tax Evasion	0.00	0	0	154,344	154,344	0.00	0	0	84,344	84,344
DP 696 - Data Network Fixed Cost Reduction	0.00	0	(13,716)	0	(13,716)	0.00	0	(14,364)	0	(14,364)
DP 699 - Vacancy Savings at 4 Percent	0.00	0	(79,290)	(4,615)	(83,905)	0.00	0	(79,772)	(4,634)	(84,406)
Total Other Present Law Adjustments				\$0						\$0
	0.00	\$0	\$1,459,949	\$293,226	\$1,753,175	0.00	\$0	\$1,041,785	\$223,207	\$1,264,992
Grand Total All Present Law Adjustments				\$3,596,020						\$3,158,573

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Overtime/Differential - The legislature approved overtime and differential pay at the historical level.

DP 2 - Computer/Networking Equipment/Softw - The legislature approved funding to purchase additional servers and enhance networking capabilities within the Helena headquarters to support expanded needs of the department for computerized management systems, as a result of the growth of the federal-aid construction program, and staff growth. The legislature designated \$218,500 in fiscal 2002 as a one-time-only appropriation.

DP 3 - PC and Laser Printer Replacement - The legislature approved funding to increase the number of personal computers and printers included in the department's annual personal computer replacement plan by 75 additional personal and laptop computers and 75 laser printers.

DP 4 - Contracted Services - ISB - The legislature approved funding for contracted services for the following information technology related projects: 1) fuel tax distribution; 2) fuel tax refund processing and tracking; 3) fuel distributor licensing; 4) administrative hearing module for managing delinquent accounts; 5) personal services budget monitoring; and 6) work flow processing. These systems would integrate with the department fund and cash management systems; the Statewide Accounting, Budgeting and Human Resource System; document management with workflow processing

systems; and electronic commerce related systems.

DP 5 - Federal Training and HazMat Communication Program - The legislature approved funding for a Hazardous Materials Communications Program and increased training costs for department staff. The legislature designated \$35,500 in fiscal 2002, associated with costs to develop the Hazardous Materials Communications Program, as a one-time-only appropriation.

DP 6 - Software - The legislature approved funding for the acquisition of software for field and mobile devices that are not attached to the statewide network, and are not included in the network rate paid to Information Services Division of the Department of Administration.

DP 7 - Lockheed Martin - The legislature approved a funding increase to pay for a contract with Lockheed Martin - IMS for services and system support to MDT for the Montana Tax and Revenue System (MOTRS).

DP 9 - EEO/ADA Training and Compliance - The legislature approved increased funding for travel by compliance staff and to provide specialized Equal Employment Opportunity (EEO) and Americans with Disabilities Act (ADA) training for departmental administrative staff and Transportation Commission members.

DP 10 - Equipment Rental - The legislature approved funding for increased allocations of costs for the department's Equipment Program.

DP 12 - Fuel Tax Evasion - The legislature approved funding for the federal grant program that funds initiatives directed at reducing the evasion of motor fuel taxes.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 1 - IT Personnel Support										
01	4.00	0	191,028	0	191,028	4.00	0	191,709	0	191,709
DP 2 - FTMA Crossmatch/Compliance Program										
01	2.00	0	57,037	0	57,037	2.00	0	57,233	0	57,233
DP 7 - GASB 34 Implementation										
01	1.00	0	236,193	0	236,193	1.00	0	236,318	0	236,318
DP 8 - Contracts Officer										
01	1.00	0	39,693	0	39,693	1.00	0	36,318	0	36,318
DP 10 - Investigative Services										
01	0.00	0	75,000	0	75,000	0.00	0	150,000	0	150,000
DP 20 - HB 131 - Diesel Fuel Violations										
01	0.00	0	15,950	0	15,950	0.00	0	15,950	0	15,950
DP 689 - FTE Reduction										
01	(3.00)	0	0	0	0	(3.00)	0	0	0	0
Total	5.00	\$0	\$614,901	\$0	\$614,901	5.00	\$0	\$687,528	\$0	\$687,528

New Proposals

DP 1 - IT Personnel Support - The legislature approved funding to add 4.0 FTE information technology (IT) staff. The new IT staff would support the following agency functions:

- One grade 16, programmer/analyst to assist in maintaining the statewide network of desktop and laptop computers

for the Motor Carriers Services (MCS) program

- One grade 15, information system support specialist to support the Global Positioning System (GPS) and public roads transportation layer of the Geographic Information Systems (GIS)
- One grade 16, information system support specialist to administer management information system work order contracts and projects
- One grade 15, programmer/analyst to develop and provide ongoing support for the department's computerized management systems

DP 2 - FTMA Crossmatch/Compliance Program - The legislature approved funding to add 2.0 FTE grade 12, administrative officers for the Fuel Tax Management and Analysis Bureau to cross-match motor fuel tax returns with motor fuel tax information on file. The legislature designated \$7,000 in fiscal 2002, identified to purchase a computer and office equipment for the increased staff, as a one-time-only appropriation.

DP 7 - GASB 34 Implementation - The legislature approved funding to add 1.0 FTE grade 15, accountant, as well as contracted services in support of implementing Governmental Accounting Standards Board Statement 34 (GASB 34). The legislature designated \$200,000 in each year for funding contracted services as a one-time-only appropriation.

DP 8 - Contracts Officer - The legislature approved funding to add 1.0 FTE grade 15, contracts officer in the Purchasing Services Bureau to handle the increased workload associated with the assumption of maintenance for paved secondary highways and the use of federal-aid highway construction funds for preventive maintenance of highways. The legislature designated \$3,500 in fiscal 2002, for the purchase of a personal computer and office furniture, as a one-time-only appropriation.

DP 10 - Investigative Services - The legislature approved funding for a contract with the Department of Justice, through which suspected internal and external irregularities relative to contract administration and fuel tax enforcement would be investigated, as would fuel tax fraud.

DP 20 - HB 131 - Diesel Fuel Violations - The legislature provided funding to implement HB 131. HB 131 authorizes the department to stop and inspect vehicles for diesel fuel violations. The funding will be used to cover costs associated with providing notices of assessment, programming, and appeals.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	1,055.23	(2.21)	(13.44)	1,039.58	1.45	(12.44)	1,044.24	1,044.24
Personal Services	41,389,329	2,657,046	923,348	44,969,723	2,957,549	963,320	45,310,198	90,279,921
Operating Expenses	270,122,733	28,759,315	1,590,199	300,472,247	38,025,738	1,364,989	309,513,460	609,985,707
Equipment	934,442	0	0	934,442	15,000	0	949,442	1,883,884
Capital Outlay	12,253,537	0	0	12,253,537	0	0	12,253,537	24,507,074
Local Assistance	250,000	0	(250,000)	0	0	(250,000)	0	0
Grants	2,834,614	626,901	6,195,432	9,656,947	626,901	8,670,432	12,131,947	21,788,894
Debt Service	5,695	0	0	5,695	0	0	5,695	11,390
Total Costs	\$327,790,350	\$32,043,262	\$8,458,979	\$368,292,591	\$41,625,188	\$10,748,741	\$380,164,279	\$748,456,870
General Fund	250,000	0	(250,000)	0	0	(250,000)	0	0
State/Other Special	90,693,250	6,428,285	(25,537,332)	71,584,203	7,893,263	(24,293,938)	74,292,575	145,876,778
Federal Special	236,847,100	25,614,977	34,246,311	296,708,388	33,731,925	35,292,679	305,871,704	602,580,092
Total Funds	\$327,790,350	\$32,043,262	\$8,458,979	\$368,292,591	\$41,625,188	\$10,748,741	\$380,164,279	\$748,456,870

Program Description

The Construction Program is responsible for construction project planning and development from the time a project is included in the long-range work plan through actual construction. Program responsibilities include such tasks as project design, accessing environmental documents and permits, making right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is the documentation, inspection, and testing of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work is approved.

Funding

Costs eligible for reimbursement under the federal-aid construction program are funded with highways state special revenue funds and federal special revenue funds apportioned to Montana under the federal transportation funding laws authorized in the Transportation Equity Act for the 21st Century (TEA-21). Construction design, construction, and construction management costs as well as direct administrative costs for construction activities are generally eligible for federal reimbursement. The state match requirement is based on a sliding scale match, which is currently 87 percent federal with a 13 percent state match. The 100 percent state-funded construction program is funded entirely with the highways state special revenue fund. The primary sources of revenue for the highways state special revenue funds are highway-user fees derived from motor fuel taxes and gross vehicle weight fees. Traffic safety functions are generally funded 100 percent with National Highway Traffic Safety Administration grant funds. The exception for traffic safety functions is that a small portion (1 percent) of the administrative costs is matched at 50 percent with highways state special revenue funds. The remaining funding for the 2003 biennium is approximately 20 percent state special revenue and 80 percent federal special revenue.

Present Law Adjustments										
Fiscal 2002						Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services				644,965						863,220
Vacancy Savings				(1,148,457)						(1,155,004)
Inflation/Deflation				51,865						82,265
Fixed Costs				6,380						7,495
Total Statewide Present Law Adjustments				(\$445,247)						(\$202,024)
DP 2 - Contracted Services for Legal Services	0.00	0	10,103	2,497	12,600	0.00	0	10,115	2,485	12,600
DP 3 - Environmental Consultant Services	0.00	0	25,046	25,258	50,304	0.00	0	25,182	25,122	50,304
DP 5 - Traffic Signal Design Training	0.00	0	20,000	0	20,000	0.00	0	0	0	0
DP 7 - Overtime/Differential	0.00	0	1,219,454	2,523,393	3,742,847	0.00	0	1,240,320	2,518,587	3,758,907
DP 8 - CMS Adjustment	(2.21)	0	23,254	20,860	44,114	1.45	0	51,516	99,661	151,177
DP 12 - CADD	0.00	0	150,833	0	150,833	0.00	0	189,459	0	189,459
DP 13 - Accounting Change - Accruals	0.00	0	2,656,270	10,625,080	13,281,350	0.00	0	2,656,270	10,625,080	13,281,350
DP 14 - Contractor Payments	0.00	0	2,090,946	11,820,867	13,911,813	0.00	0	3,611,767	19,720,059	23,331,826
DP 15 - Research	0.00	0	41,363	222,713	264,076	0.00	0	42,439	221,637	264,076
DP 16 - Crest Stage Gage	0.00	0	21,303	1,197	22,500	0.00	0	21,307	1,193	22,500
DP 17 - Accounting Change-Traffic Safety Bureau	0.00	0	270,680	655,117	925,797	0.00	0	78,469	617,328	695,797
DP 18 - Equipment Rental	0.00	0	198,054	402,111	600,165	0.00	0	201,207	408,511	609,718
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	0	(1,682)	0	(1,682)	0.00	0	(1,688)	0	(1,688)
DP 699 - Vacancy Savings at 4 Percent	0.00	0	(174,053)	(362,155)	(536,208)	0.00	0	(177,162)	(361,652)	(538,814)
Total Other Present Law Adjustments										
	(2.21)	\$0	\$6,551,571	\$25,936,938	\$32,488,509	1.45	\$0	\$7,949,201	\$33,878,011	\$41,827,212
Grand Total All Present Law Adjustments					\$32,043,262					\$41,625,188

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - Contracted Services for Legal Services - The legislature approved funding for contracted services for the department to hire expert witnesses and private legal counsel to assist the department defend against contract claim legal cases.

DP 3 - Environmental Consultant Services - The legislature approved funding for a wetlands mitigation program to monitor and maintain areas identified as wetlands that are impacted by highway construction projects.

DP 5 - Traffic Signal Design Training - The legislature approved funding to provide an on-site training course for traffic signal design staff. The legislature designated the appropriation for this purpose as a one-time-only appropriation.

DP 7 - Overtime/Differential - The legislature approved funding for overtime and differential pay at the level equivalent to the average per FTE level for the previous three base years.

DP 8 - CMS Adjustment - The legislature approved funding for FTE and engineering costs estimated via the department's Construction Management System to implement the proposed construction plan for the 2003 biennium.

DP 12 - CADD - The legislature approved funding for software and hardware maintenance contracts for the Computer Aided Drafting and Design system (CADD) and photogrammetry.

DP 13 - Accounting Change - Accruals - The legislature approved funding for increased consultant services to address a budget deficit resulting from an accounting policy change that was made by the department to address a legislative audit finding.

DP 14 - Contractor Payments - The legislature approved increased funding for contractor payments associated with projected payouts for highway construction projects contained in the department's Tentative Construction Program (TCP).

DP 15 - Research - The legislature approved increased funding for research provided by State Planning and Research (SPR) grants.

DP 16 - Crest Stage Gage - The legislature approved funding for the department to make payments to the United States Geological Service (USGS) for crest-stage gage maintenance, under an agreement between the department and the USGS.

DP 17 - Accounting Change-Traffic Safety Bureau - The legislature approved funding for the Governor's Highway Traffic Safety Program to compensate for a budget deficit that resulted from an accounting policy change the department made in response to a legislative audit finding.

DP 18 - Equipment Rental - The legislature approved funding for increased allocations of costs for the department's Equipment Program.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 1 - Engineering Oversight Bureau										
02	5.00	0	279,618	165,109	444,727	5.00	0	242,242	130,706	372,948
DP 2 - Increase Preliminary Survey										
02	6.00	0	130,600	129,598	260,198	6.00	0	131,747	129,404	261,151
DP 4 - Right/Way FTE										
02	6.00	0	112,405	107,941	220,346	7.00	0	133,893	123,921	257,814
DP 5 - Traffic Engineer FTE										
02	4.00	0	78,811	69,525	148,336	4.00	0	79,442	69,410	148,852
DP 7 - Computer Software for Safety Management										
02	0.00	0	30,000	120,000	150,000	0.00	0	0	0	0
DP 8 - Legal Services FTE										
02	1.00	0	20,212	8,303	28,515	1.00	0	17,896	7,700	25,596
DP 9 - Pavement Analysis/Research Software										
02	1.00	0	48,150	2,290	50,440	1.00	0	48,322	2,279	50,601
DP 10 - Materials Bureau FTE										
02	3.00	0	22,197	88,788	110,985	3.00	0	22,269	89,078	111,347
DP 11 - Funding Adjustments										
02	0.00	0	(26,259,325)	26,259,325	0	0.00	0	(24,969,749)	24,969,749	0
DP 12 - Open Container and Repeat Intoxicated Driver Laws										
02	0.00	0	0	7,295,432	7,295,432	0.00	0	0	9,770,432	9,770,432
DP 30 - Eliminate Funding - DUI Prevention Program										
02	0.00	(250,000)	0	0	(250,000)	0.00	(250,000)	0	0	(250,000)
DP 689 - FTE Reduction										
02	(39.44)	0	0	0	0	(39.44)	0	0	0	0
Total	(13.44)	(\$250,000)	(\$25,537,332)	\$34,246,311	\$8,458,979	(12.44)	(\$250,000)	(\$24,293,938)	\$35,292,679	\$10,748,741

New Proposals

DP 1 - Engineering Oversight Bureau - The legislature approved funding to add 5.0 FTE grade 18 engineering managers and to create an Engineering Oversight Bureau to: 1) review, evaluate, and make recommendations for improvements relative to the department construction project processes; 2) develop and implement a constructability plan and create a review process aimed at improving the quality of project plans; and 3) implement a formal post-construction review process facilitating the exchange of information between construction and design personnel with an eye to improving the design and plan quality.

DP 2 - Increase Preliminary Survey - The legislature approved funding for the addition of 6.0 FTE grade 13 surveyors and operating costs for preliminary land surveying functions in each district.

DP 4 - Right/Way FTE - The legislature approved funding for the addition of 6.0 FTE in fiscal 2002 and 7.0 FTE in fiscal 2003 and for operating costs for the department's right-of-way functions.

DP 5 - Traffic Engineer FTE - The legislature approved funding for the addition of 4.0 FTE to support construction design, traffic corridor studies, traffic improvement engineering, and traffic access management.

DP 7 - Computer Software for Safety Management - The legislature approved funding to modify computer programs that perform accident analysis so the programs are compatible with process changes adopted by the Montana Highway Patrol (MHP) that provide short forms for reporting traffic accidents involving only property damage. The legislature designated the appropriation for this purpose as a one-time-only appropriation.

DP 8 - Legal Services FTE - The legislature approved funding for the addition of 1.0 FTE grade 10, legal secretary to provide administrative support for agency legal staff. The legislature designated \$3,000 of the fiscal 2002 amount as a one-time-only appropriation.

DP 9 - Pavement Analysis/Research Software - The legislature approved funding for the addition of 1.0 FTE grade 15, information systems support position to provide support and development for four specialized software packages and four large databases used by the pavement analysis and research section.

DP 10 - Materials Bureau FTE - The legislature approved funding for the addition of 3.0 FTE to provide project level analysis of surfacing design and materials performance.

DP 11 - Funding Adjustments - The legislature approved a funding switch from state to federal special revenue to more closely match funding anticipated with delivery of projects included in the Tentative Construction Plan.

DP 12 - Open Container and Repeat Intoxicated Driver Laws - The legislature approved funding for priority alcohol and other drug impaired driver counter-measures, directed to state and local law enforcement for enhancements of driving under the influence (DUI) enforcement, or for hazard elimination activities. This funding is associated with a federally imposed sanction on federal highway construction funds. The federal sanction has been imposed because the state does not have laws that meet the federal requirements regarding sentencing of open container and repeat intoxicated driver offenses. The funding comes from a mandatory allocation for these hazard elimination activities from the total state allocation of federal-aid highway construction funds. With this sanction, the amount of federal-aid highway construction funds available for use on highway construction projects has been reduced and moved to required use in these activities.

DP 30 - Eliminate Funding - DUI Prevention Program - The legislature eliminated funding for the distribution to the counties of one-half of the fee collected for reinstating driver's licenses that were suspended or revoked for drinking and driving.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

Item [Construction Program] includes a total of \$63,690 for the 2003 biennium for the Montana Natural Resources Information System. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated.

All appropriations in the Construction Program are biennial.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	717.93	64.35	(1.70)	780.58	64.35	(1.70)	780.58	780.58
Personal Services	26,665,520	6,155,301	28,401	32,849,222	6,326,320	28,498	33,020,338	65,869,560
Operating Expenses	42,079,789	5,693,598	279,300	48,052,687	5,865,104	129,456	48,074,349	96,127,036
Equipment	160,428	0	0	160,428	0	0	160,428	320,856
Capital Outlay	66,384	0	0	66,384	0	0	66,384	132,768
Total Costs	\$68,972,121	\$11,848,899	\$307,701	\$81,128,721	\$12,191,424	\$157,954	\$81,321,499	\$162,450,220
State/Other Special	68,159,583	10,432,944	(2,554,415)	76,038,112	10,775,469	(2,704,162)	76,230,890	152,269,002
Federal Special	812,538	1,415,955	2,862,116	5,090,609	1,415,955	2,862,116	5,090,609	10,181,218
Total Funds	\$68,972,121	\$11,848,899	\$307,701	\$81,128,721	\$12,191,424	\$157,954	\$81,321,499	\$162,450,220

Program Description

The Maintenance Program is responsible for preserving and maintaining a safe and environmentally-sound state highway transportation system and related facilities. Major maintenance activities include the patching, repair, and periodic sealing of highway surfaces; snow removal; and sanding.

Funding

The Maintenance Program is primarily funded with highways state special revenue. Federal special revenue also funds a portion of the costs associated with the road reporter functions as well as qualifying highway maintenance activities. For the 2003 biennium, state special revenue provides roughly 93.7 percent of the program's funding; federal special revenue provides the remaining 6.3 percent.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				2,772,276						2,941,904
Vacancy Savings				(806,776)						(811,865)
Inflation/Deflation				128,810						139,675
Fixed Costs				(438)						(438)
Total Statewide Present Law Adjustments				\$2,093,872						\$2,269,276
DP 1 - Secondary Roads Implementation										
36.35	0	6,224,326	1,352,914	7,577,240	36.35	0	6,355,911	1,352,914	7,708,825	
DP 2 - Temporary Winter Maintenance FTE										
26.00	0	947,360	0	947,360	26.00	0	950,681	0	950,681	
DP 3 - Road Reporting										
2.00	0	262,475	0	262,475	2.00	0	262,677	0	262,677	
DP 4 - Road Reporting "IT"										
0.00	0	7,005	63,041	70,046	0.00	0	7,005	63,041	70,046	
DP 5 - Overtime										
0.00	0	1,899,570	0	1,899,570	0.00	0	1,899,570	0	1,899,570	
DP 7 - Preventive Maintenance Reduction										
0.00	0	(4,180,000)	0	(4,180,000)	0.00	0	(4,180,000)	0	(4,180,000)	
DP 10 - Operating Expenses										
0.00	0	472,127	0	472,127	0.00	0	472,127	0	472,127	
DP 11 - Rest Areas										
0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000	
DP 12 - Equipment Rental										
0.00	0	2,811,435	0	2,811,435	0.00	0	2,834,000	0	2,834,000	
DP 13 - Rent for Annex Building										
0.00	0	122,599	0	122,599	0.00	0	133,744	0	133,744	
DP 699 - Vacancy Savings at 4 Percent										
0.00	0	(377,825)	0	(377,825)	0.00	0	(379,522)	0	(379,522)	
Total Other Present Law Adjustments										
64.35	\$0	\$8,339,072	\$1,415,955	\$9,755,027	64.35	\$0	\$8,506,193	\$1,415,955	\$9,922,148	
Grand Total All Present Law Adjustments				\$11,848,899						\$12,191,424

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Secondary Roads Implementation - The legislature approved funding for the addition of 36.35 FTE grade 7, maintenance technicians and other resources to maintain paved secondary roads in the state.

DP 2 - Temporary Winter Maintenance FTE - The legislature approved funding for the addition of 26.0 FTE grade 7, maintenance technicians to fill temporary winter maintenance positions.

DP 3 - Road Reporting - The legislature approved funding for the addition of 2.0 FTE grade 8, administrative support positions and operating costs to provide road information services to the traveling public in Montana.

DP 4 - Road Reporting "IT" - The legislature approved funding for the toll-free telephone lines for travelers who use the road reporting services in Montana.

DP 5 - Overtime - The legislature approved funding overtime and differential pay at the base level plus associated benefits.

DP 7 - Preventive Maintenance Reduction - The legislature approved the department's recommendation to reduce pavement preservation activities to offset a projected shortage in the highways state special revenue account.

DP 10 - Operating Expenses - The legislature approved funding for increased costs of highway maintenance supplies and to add telephone lines for computers in maintenance section houses.

DP 11 - Rest Areas - The legislature approved funding for increased costs of rest area maintenance contracts.

DP 12 - Equipment Rental - The legislature approved funding for increased allocations of costs for the department's Equipment Program.

DP 13 - Rent for Annex Building - The legislature approved funding for rent of additional office space in Helena that is used to house staff added due to the increased federal-aid construction program.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 2 - Funding Adjustments										
03	0.00	0	(2,862,116)	2,862,116	0	0.00	0	(2,862,116)	2,862,116	0
DP 3 - Radio Replacement Bozeman and Butte										
03	0.00	0	167,700	0	167,700	0.00	0	0	0	0
DP 5 - Weed Coordination FTE										
03	1.00	0	28,401	0	28,401	1.00	0	28,498	0	28,498
DP 8 - Highway Lighting Agreement										
03	0.00	0	111,600	0	111,600	0.00	0	129,456	0	129,456
DP 689 - FTE Reduction										
03	(2.70)	0	0	0	0	(2.70)	0	0	0	0
Total	(1.70)	\$0	(\$2,554,415)	\$2,862,116	\$307,701	(1.70)	\$0	(\$2,704,162)	\$2,862,116	\$157,954

New Proposals

DP 2 - Funding Adjustments - The legislature approved a funding shift to reduce state special revenue and increase federal special revenue by an equal amount in order to establish state to federal funding levels as anticipated for the 2003 biennium as the department uses federal funds for qualified maintenance activities.

DP 3 - Radio Replacement Bozeman and Butte - The legislature approved funding to replace one mobile two-way radio units in either the Butte or Bozeman district. The legislature designated the appropriation for this purpose as a one-time-only appropriation.

DP 5 - Weed Coordination FTE - The legislature approved funding for the addition of 1.0 FTE grade 12, position to coordinate noxious weed management along highway right-of-ways.

DP 8 - Highway Lighting Agreement - The legislature approved funding for contracted services to provide maintenance of roadway lighting.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

All appropriations in the Maintenance Program are biennial.

Funding

The State Motor Pool is funded with an internal service proprietary fund.

Proprietary Rates**Program Description**

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet; and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment to agencies statewide. The program has 6.0 FTE.

Revenues and Expenses

The State Motor Pool is responsible for expenditures associated with the acquisition, repair, maintenance, and routine operating costs for a fleet of 640 vehicles. The operating costs and revenues for the fleet are functionally tied to the travel requirements of the various user agencies. The program has increased from 318 units in fiscal 1994 to 640 in fiscal 2000. During that time, mileage increased from 4.1 million to 10.2 million miles; the program projects an additional 2.5 million miles by the end of fiscal 2003. This growth in the number of miles traveled is largely due to the practice of the Office of Budget and Program Planning requiring agencies to lease new vehicles from the State Motor Pool instead of allowing agencies to purchase vehicles directly.

The program uses loans from the Board of Investments (BOI) to fund vehicle purchases. Interest rates on BOI loans are adjusted annually and vary from one purchase cycle to the next. The outstanding loan balance and interest and principal payments have the greatest impacts on motor pool rental rates. Rental rates are set to recover sufficient revenue to meet loan principal and interest payments, operating costs, and allow maintenance of no more than a 60-day working capital balance. If the program does not generate sufficient revenue to make interest and principal payments, assets would have to be sold to satisfy the loan obligations.

Revenue is generated through rentals and sales of surplus assets. Vehicle rental rates provide the majority of the revenue for the program. The motor pool also receives revenues resulting from accident damages reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage.

Rate Explanation

The motor pool rental rates are based on a two-tiered rate structure. Users pay a usage rate and a possession rate. The usage rate is charged for actual miles driven and allows the program to recover variable costs directly related to the operation of the vehicle, such as repair labor and parts, fuel, lubricants, tires, and tubes. The possession rate allows the program to cover fixed costs associated with state ownership, such as insurance, principal and interest payments on BOI loans, depreciation, and other indirect expenses. The two-tiered rate structure was adopted for the 2003 biennium to: 1) provide adequate revenue to make loan payments and other cost obligations; and 2) provide equity among all vehicle classes so that one vehicle class does not subsidize another vehicle class. During the 2001 biennium, the legislature approved rates based on the higher of a per mile rate or a daily rate imposed if a vehicle traveled less than 33 miles per day.

The rates for the 2003 biennium using the two-tiered structure are applied as follows for the two components of the motor pool:

Daily rental:

Cost (per occurrence) = (HR x AR) + (AM x MR),

Out-stationed lease:

Cost (annual) = (2920 x AR) + (AM x MR),

where:

HR = number of hours the vehicle was used (maximum of 8 hours for each day of use, including weekends);

AR = per hour assigned rate;

AM = actual miles traveled; and

MR = per mile operated rate.

The legislature approved the rates listed in Table 7A for the State Motor Pool during the 2003 biennium.

Table 7A State Motor Pool Approved Rates						
Vehicle Class	Description	Assigned Rental Hours	2002		2003	
			Per Hour Assigned	Per Mile Operated	Per Hour Assigned	Per Mile Operated
02	Small Utilities	2920	1.597	0.022	1.600	0.022
04	Large Utilities	2920	2.116	0.056	2.335	0.056
06	Passenger Cars	2920	1.501	0.054	1.643	0.054
07	Small or Std Size Pickups	2920	1.270	0.030	1.260	0.030
11	Large 4X4 Pickups	2920	1.832	0.056	2.334	0.056
12	Vans	2920	1.449	0.071	1.632	0.071

Significant Present Law

PL 1 - Vehicle Acquisition - In approving the rates for this proprietary funded program, the legislature concurred with the proposed replacement of 111 vehicles in fiscal 2002 and 110 vehicles in fiscal 2003. The legislature also concurred with the recommendation to increase the out-stationed vehicle fleet by 138 vehicles in fiscal 2002 and by 56 vehicles in fiscal 2003.

PL 2 - Overtime for Motor Pool - When the legislature approved the rates for the Motor Pool, it also concurred with the expenditure of funds for overtime and differential pay at the base level plus associated benefits.

PL 3 - Operating Costs - In approving the 2003 biennium rates for the State Motor Pool, the legislature concurred with the executive's recommendation to fund the increased operating costs resulting from the expanded daily rental and out-station leased vehicle fleets.

PL 4 - Increase in Interest Payment - The legislature concurred with the increased funding to pay interest costs for operating loans from the Board of Investment (BOI), which result from the need to use loans from the BOI to acquire vehicles for the expansion of the motor pool daily rentals and agency assigned leased fleets.

New Proposals

NP 1 - Motor Pool Reservation System - When it approved the rates for the State Motor Pool, the legislature concurred with the executive's recommendation to fund the acquisition of an automated vehicle reservation system for the Helena motor pool fleet.

NP 2 - Equipment/Motor Pool Management System - The legislature concurred with the replacement of the Motor Pool Management System (MPMS) with a new management system integrated with the Equipment Management System (EMS).

Funding

The Equipment Program is funded with an internal service proprietary fund.

Proprietary Rates**Program Description**

The Equipment Program is responsible for the acquisition, disposal, and repair and maintenance of a fleet of approximately 4,000 individual units used by other programs of the Department of Transportation. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment. The program has 120.0 FTE.

Revenues and Expenses

The Equipment Program fleet size is projected to increase over the 2003 biennium because the department will be taking over maintenance of secondary roads. Operation costs and revenue for the fleet are functionally tied to the severity of the winter, construction program workload, and travel requirements of the various department users. Annual mileage and hours of usage can vary significantly. The program anticipates an increase in miles of travel and hours of usage due to the secondary road program. Additional funding would be used to cover the increased expenditures for fuel, cutting edges for snowplows, and repair parts anticipated as a result of the increased usage.

The program rental rates are set to recover sufficient revenue to purchase assets, cover normal operating expenses, and maintain no more than a 60-day working capital balance. Revenue is generated through rental rates, sale of surplus assets, and damage settlements. The primary source of revenue is user rentals charged for the use and possession of vehicles and equipment.

The Equipment Program is internal to the Department of Transportation. The cash flow is dependent on the rental revenue received and from the auction proceeds of fleet units sold. Rental revenue varies with the season, weather conditions, and workloads. If there is a light winter season, there is low use and little revenue. If there is a heavy winter season, there is high use and additional rental received. The program cash balance is generally less than the allowable 60-day working capital balance. With less than 60 days of working capital, the program does not have sufficient cash to cover obligations that must be met at the beginning of each fiscal year. To meet those obligations, the program negotiates an inter-entity loan from the Construction Program. The loan covers day-to-day operating expenses and the annual insurance payment until revenues have a chance to catch up with expenses. The loan is repaid by fiscal year end. The program rental rates will generate sufficient revenue to purchase assets and cover normal operating expenses, without exceeding the 60-day working capital balance.

Rate Explanation

The legislature approved a 60-day working capital rate for all vehicles and equipment provided by the Equipment Program.

Significant Present Law

PL 1 - Vehicle Equipment Replacement - The legislature, in approving the rates for the Equipment Program, concurred in the executive's recommendation to fund the replacement of fleet equipment items that are projected to be at the end of their economic lives during the 2003 biennium.

PL 2 - Adjustment in Operating Expenses - In approving the rates for the Equipment Program, the legislature concurred with increased funding for operating costs that are rising as a direct result from the assumption of maintenance responsibilities for paved secondary roads.

PL 3 - Overtime for Equipment - When the legislature approved the rates for the Equipment Program, it also concurred with the expenditure of funds for overtime and differential pay at the base level plus associated benefits. However, the legislature expressed concern with the amount of overtime used by the program and directed it to minimize the use of overtime.

New Proposals

NP 1 - New Equipment/Motor Pool Management - In approving the rates for the Equipment Program, the legislature concurred with the executive's recommendation to replace the Equipment Management System (EMS) with a new management system integrated with the Motor Pool Management System (MPMS).

NP 2 - Vehicle & Equipment Mechanics - When the legislature approved the rates for the Equipment Program it concurred with the executive's request to fund the addition of 2.0 FTE grade 10, machinist/mechanics to address workload issues resulting from the equipment fleet expansions to support the expanded federal-aid construction program and the assumption by the department of maintenance on paved secondary roads.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	112.63	0.00	(0.13)	112.50	0.00	(0.13)	112.50	112.50
Personal Services	3,958,614	99,871	0	4,058,485	122,513	0	4,081,127	8,139,612
Operating Expenses	839,889	62,793	16,200	918,882	63,974	10,000	913,863	1,832,745
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$4,798,503	\$162,664	\$16,200	\$4,977,367	\$186,487	\$10,000	\$4,994,990	\$9,972,357
State/Other Special	4,798,503	162,664	16,200	4,977,367	186,487	10,000	4,994,990	9,972,357
Total Funds	\$4,798,503	\$162,664	\$16,200	\$4,977,367	\$186,487	\$10,000	\$4,994,990	\$9,972,357

Program Description

The Motor Carrier Services Division enforces state and federal commercial motor carrier laws including laws on vehicle size and weight, insurance, licensing, fuel, and vehicle and driver safety. The Licensing and Permit Bureau registers interstate fleet vehicles, issues commercial vehicle licenses, issues oversize/overweight permits, and collects and distributes fees and taxes. The Enforcement Bureau operates a statewide weigh station and mobile enforcement program and assigns uniformed officers to inspect commercial vehicles for compliance with state and federal safety, registration, fuel, insurance and size/weight laws.

Funding

The Motor Carrier Services Division is funded by the highways state special revenue fund, which receives revenue from highway user fees such as motor fuel taxes and gross vehicle weight fees.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					219,670					243,256
Vacancy Savings					(113,348)					(114,056)
Inflation/Deflation					2,312					3,334
Fixed Costs					(270)					(270)
Total Statewide Present Law Adjustments					\$108,364					\$132,264
DP 1 - Overtime/Differential	0.00	0	47,333	0	47,333	0.00	0	47,333	0	47,333
DP 2 - Credit Card Charge Fees	0.00	0	20,000	0	20,000	0.00	0	20,000	0	20,000
DP 3 - Enforcement Minor Equipment	0.00	0	9,288	0	9,288	0.00	0	9,288	0	9,288
DP 4 - MCS Repair & Maintenance Increase	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
DP 5 - Equipment Rental	0.00	0	21,463	0	21,463	0.00	0	21,622	0	21,622
DP 699 - Vacancy Savings at 4 Percent	0.00	0	(53,784)	0	(53,784)	0.00	0	(54,020)	0	(54,020)
Total Other Present Law Adjustments										
	0.00	\$0	\$54,300	\$0	\$54,300	0.00	\$0	\$54,223	\$0	\$54,223
Grand Total All Present Law Adjustments					\$162,664					\$186,487

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Overtime/Differential - The legislature approved funding for overtime and differential pay at the level equivalent to the average per FTE level for the previous three base years.

DP 2 - Credit Card Charge Fees - The legislature approved funding for credit card merchant fees that result when motor carriers use credit cards to pay for licenses, registrations, and permits.

DP 3 - Enforcement Minor Equipment - The legislature approved funding for increased costs of replacement equipment used by motor carrier weigh station and mobile enforcement personnel.

DP 4 - MCS Repair & Maintenance Increase - The legislature approved funding for increased costs of maintaining and repairing static (permanent) scales, portable scales, slow-speed weigh-in-motion, high speed weigh-in-motion, and automated vehicle identification (AVI) equipment.

DP 5 - Equipment Rental - The legislature approved funding for increased allocations of costs for the department's Equipment Program.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 1 - IRP Clearinghouse Dues										
22	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
DP 2 - Laptop Computers for the MOVE Progr										
22	0.00	0	6,200	0	6,200	0.00	0	0	0	0
DP 689 - FTE Reduction										
22	(0.13)	0	0	0	0	(0.13)	0	0	0	0
Total	(0.13)	\$0	\$16,200	\$0	\$16,200	(0.13)	\$0	\$10,000	\$0	\$10,000

New Proposals

DP 1 - IRP Clearinghouse Dues - The legislature approved funding for service fees of the International Registration Plan (IRP) Clearinghouse.

DP 2 - Laptop Computers for the MOVE Progr - The legislature approved funding to purchase two laptop computers for the Mobile Officer Vehicle Enforcement (MOVE) program. The legislature designated an appropriation for this purpose as a one-time-only appropriation.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	377,421	28,160	0	405,581	29,687	0	407,108	812,689
Operating Expenses	324,931	65,851	346,667	737,449	90,267	0	415,198	1,152,647
Equipment	1,105	18,500	0	19,605	10,000	0	11,105	30,710
Grants	58,550	641,450	304,000	1,004,000	(58,550)	4,000	4,000	1,008,000
Transfers	15,143	0	0	15,143	0	0	15,143	30,286
Total Costs	\$777,150	\$753,961	\$650,667	\$2,181,778	\$71,404	\$4,000	\$852,554	\$3,034,332
State/Other Special	712,150	733,461	323,667	1,769,278	50,904	4,000	767,054	2,536,332
Federal Special	65,000	20,500	327,000	412,500	20,500	0	85,500	498,000
Total Funds	\$777,150	\$753,961	\$650,667	\$2,181,778	\$71,404	\$4,000	\$852,554	\$3,034,332

Program Description

The Montana Aeronautics Division: 1) facilitates the maintenance of airports and the various components of airport infrastructure, including visual and electronic navigational facilities and flying aids; 2) fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; 3) registers aircraft and pilots in accordance with Montana laws and regulations; and 4) coordinates and supervises aerial search and rescue operations. In accordance with the maintenance and safety aspects of the division's purpose, it administers a loan and grant program to municipal governments to provide funding for airport improvement projects. The Aeronautics Board approves all loans and grant requests and advises on matters pertaining to aeronautics.

The division serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to Montana's rural communities. The division is also responsible for operation of the air carrier airport at West Yellowstone and for 14 other state-owned airports.

Funding

The Aeronautics Program, excluding the operations of the West Yellowstone Airport, is funded by both state and federal special revenue funds. State special revenue funds are derived primarily from state aviation fuels taxes and aviation license fees. Federal special revenue funds come from federal aviation administration grants. Operations of the West Yellowstone Airport are funded from an enterprise type proprietary fund with revenues that include local property taxes, rentals and leases, concession sales receipts, and landing fees. Because the proprietary funds do not require an appropriation, they are not included in the above table.

For the 2003 biennium, state special revenue provides 83.6 percent of the program's funding and federal special revenue provides the remaining 16.4 percent.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services				36,725						38,316
Vacancy Savings				(11,362)						(11,410)
Inflation/Deflation				1,304						1,526
Fixed Costs				(5,081)						(4,542)
Total Statewide Present Law Adjustments				\$21,586						\$23,890
DP 1 - Overtime/Differential										
0.00	0	3,500	0	3,500		0.00	0	3,500	0	3,500
DP 2 - Airport Development Grants										
0.00	0	391,450	0	391,450		0.00	0	(58,550)	0	(58,550)
DP 3 - Increases Due to Recent Tax Legislation										
0.00	0	72,128	20,500	92,628		0.00	0	87,283	20,500	107,783
DP 4 - Airport Pavement Preservation Grant										
0.00	0	250,000	0	250,000		0.00	0	0	0	0
DP 699 - Vacancy Savings at 4 Percent										
0.00	0	(5,203)	0	(5,203)		0.00	0	(5,219)	0	(5,219)
Total Other Present Law Adjustments										
0.00	\$0	\$711,875	\$20,500	\$732,375		0.00	\$0	\$27,014	\$20,500	\$47,514
Grand Total All Present Law Adjustments				\$753,961						\$71,404

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Overtime/Differential - The legislature approved funding for overtime and differential pay at the base level plus associated benefits.

DP 2 - Airport Development Grants - The legislature approved funding for grants to municipalities for airport safety and development projects. The legislature designated an appropriation for airport development grants as a biennial appropriation.

DP 3 - Increases Due to Recent Tax Legislation - The legislature approved funding to restore programs the division reduced during the base year in its efforts to contain costs due to a projected revenue shortfall.

DP 4 - Airport Pavement Preservation Grant - The legislature approved funding for airport pavement preservation grants at airports that support commercial air-carriers. The legislature designated the appropriation for airport pavement preservation grants as a biennial appropriation.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 40 - Capital Improvement Plan Update										
40	0.00	0	3,000	27,000	30,000	0.00	0	0	0	0
DP 41 - Federal Airport Improvement Grants (Biennial)										
40	0.00	0	16,667	300,000	316,667	0.00	0	0	0	0
DP 42 - HB 430 - Airport Courtesy Cars										
40	0.00	0	4,000	0	4,000	0.00	0	4,000	0	4,000
DP 43 - SB 280 - Airport Loan and Grant Funding										
40	0.00	0	300,000	0	300,000	0.00	0	0	0	0
Total	0.00	\$0	\$323,667	\$327,000	\$650,667	0.00	\$0	\$4,000	\$0	\$4,000

New Proposals

DP 40 - Capital Improvement Plan Update - The legislature increased funding to review and update the Capital Improvement Plan required every five years by the Federal Aviation Administration.

DP 41 - Federal Airport Improvement Grants (Biennial) - The legislature approved funding for a federal airport improvement grant to upgrade the Lincoln and West Yellowstone Airport facilities. The legislature designated this funding as a biennial appropriation.

DP 42 - HB 430 - Airport Courtesy Cars - The legislature provided funding to implement HB 430. HB 430 authorizes the department to provide grants to small airports for airport courtesy cars. The funding will be used to provide two \$2000 grants per year.

DP 43 - SB 280 - Airport Loan and Grant Funding - The legislature provided funding to implement SB 280. SB 280 increased the aviation fuel tax by \$0.01 per gallon with the proceeds to provide grants to municipalities for airport development or improvement programs and to provide navigational aids, safety improvements, weather reporting services, and for other aeronautical purposes for airports and landing fields and for the state's airways. The legislature approved funding for SB 280 as a biennial appropriation.

Language

Item [Aeronautics Program] includes \$4,000 of state special revenue in fiscal 2000 and \$4,000 of state special revenue in fiscal 2003 that are contingent upon passage and approval of HB 430.

Item [Aeronautics Program - Airport Development Grants line item] includes \$300,000 of state special revenue in fiscal 2002 that is contingent upon passage and approval of SB 280.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	69.60	0.00	(1.00)	68.60	0.00	(1.75)	67.85	67.85
Personal Services	2,628,094	123,565	82,442	2,834,101	137,769	64,696	2,830,559	5,664,660
Operating Expenses	572,623	1,492,841	5,249,951	7,315,415	811,719	7,537,488	8,921,830	16,237,245
Equipment	40,320	0	0	40,320	0	0	40,320	80,640
Grants	3,284,541	412,658	171,093	3,868,292	522,549	347,318	4,154,408	8,022,700
Total Costs	\$6,525,578	\$2,029,064	\$5,503,486	\$14,058,128	\$1,472,037	\$7,949,502	\$15,947,117	\$30,005,245
State/Other Special	1,691,313	523,947	310,205	2,525,465	272,726	432,927	2,396,966	4,922,431
Federal Special	4,834,265	1,505,117	5,193,281	11,532,663	1,199,311	7,516,575	13,550,151	25,082,814
Total Funds	\$6,525,578	\$2,029,064	\$5,503,486	\$14,058,128	\$1,472,037	\$7,949,502	\$15,947,117	\$30,005,245

Program Description

The Transportation Planning Division provides: 1) an inventory of transportation infrastructure to allocate funds, maintain Department of Transportation eligibility for grant and federal funds, and aid in the process of project prioritization and selection; 2) a statewide planning program and assistance to local area transportation planning; and 3) response to legislative or regulatory actions necessitating representation before courts, congressional hearings, the US Department of Transportation, the Surface Transportation Board, and others. This planning results in a program that includes buses for transit systems, street and highway improvements, railroad track rehabilitation, and transportation enhancements for non-motorized and beautification improvements.

Funding

The Transportation Planning Division is funded with a combination of state and federal special revenue funds. Transit grants are generally fully funded (100 percent) with Federal Transit Administration funds. However, if a match is required it is provided by the local entity receiving services or on a rare occasion with highways state special revenue funds. The remaining division activities are funded with federal planning and research funds and state special revenue funds at a ratio that has averaged approximately 74 percent federal and 26 percent state special revenue. State special revenue funds include nearly \$473,000 in local match pass-through authority for the 2003 biennium.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				229,594						244,482
Vacancy Savings				(78,297)						(78,743)
Inflation/Deflation				5,542						9,136
Fixed Costs				(2,212)						(2,212)
Total Statewide Present Law Adjustments				\$154,627						\$172,663
DP 1 - Urban Planning Program										
0.00	0	24,324	95,676	120,000	0.00	0	24,324	95,676	120,000	
DP 3 - Overtime/Differential										
0.00	0	2,833	5,764	8,597	0.00	0	2,815	5,693	8,508	
DP 4 - Great Falls Bike/Ped. Facility Improvement Project										
0.00	0	10,765	39,235	50,000	0.00	0	10,765	39,236	50,001	
DP 5 - Software and Field Data Collection										
0.00	0	60,000	240,000	300,000	0.00	0	0	0	0	
DP 6 - Adjustment Required by Accounting Policy Changes										
0.00	0	286,757	641,343	928,100	0.00	0	166,809	376,191	543,000	
DP 7 - TEA 21 Funding Increases										
0.00	0	102,717	540,544	643,261	0.00	0	95,885	657,620	753,505	
DP 8 - Federal Grant Closure										
0.00	0	0	(155,094)	(155,094)	0.00	0	0	(155,191)	(155,191)	
DP 9 - Equipment Rental										
0.00	0	8,031	7,871	15,902	0.00	0	8,095	7,934	16,029	
DP 699 - Vacancy Savings at 4 Percent										
0.00	0	(11,556)	(24,773)	(36,329)	0.00	0	(11,604)	(24,874)	(36,478)	
Total Other Present Law Adjustments										
0.00	\$0	\$483,871	\$1,390,566	\$1,874,437	0.00	\$0	\$297,089	\$1,002,285	\$1,299,374	
Grand Total All Present Law Adjustments				\$2,029,064						\$1,472,037

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Urban Planning Program - The legislature approved funding for contracted services to conduct transportation plan updates in the smaller urban areas and to conduct small-scale transportation studies in outlying urban communities.

DP 3 - Overtime/Differential - The legislature approved funding for overtime and differential pay for the total program at the level equivalent to the average per FTE level for the previous three base years.

DP 4 - Great Falls Bike/Ped. Facility Improvement Project - The legislature approved funding for a congestion management and air quality project to improve bicycle and pedestrian facilities in Great Falls.

DP 5 - Software and Field Data Collection - The legislature approved funding for the development of data management software and to provide for contracted services to hire a consultant to assist in field data collection of infrastructure information for use in the Highway Performance Monitoring System. The legislature designated an appropriation for this purpose as a one-time-only and biennial appropriation.

DP 6 - Adjustment Required by Accounting Policy Changes - The legislature approved increased funding for consultant services to compensate for a budget deficit that resulted from an accounting policy change the department made in response to a legislative audit finding.

DP 7 - TEA 21 Funding Increases - The legislature approved increased funding for transportation planning activities that have increased as a direct result of an increase in federal-aid construction funding.

DP 8 - Federal Grant Closure - The legislature approved a reduction of authority to reflect several federal grants that will not continue into the 2003 biennium.

DP 9 - Equipment Rental - The legislature approved funding for increased allocations of costs for the department's Equipment Program.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 1 - Performance Programming Implementation										
50	0.00	0	12,000	48,000	60,000	0.00	0	12,000	48,000	60,000
DP 2 - Planning Processes/Requirements										
50	0.00	0	24,000	96,000	120,000	0.00	0	24,000	96,000	120,000
DP 3 - Statewide Truck Activity Reporting System (STARS)										
50	3.00	0	173,212	573,068	746,280	2.25	0	115,323	381,544	496,867
DP 4 - TranPlan 21 Public Involvement Survey										
50	0.00	0	0	0	0	0.00	0	3,400	13,600	17,000
DP 6 - Funding Adjustments										
50	0.00	0	(70,100)	70,100	0	0.00	0	(69,114)	69,114	0
DP 7 - Federal Earmarked Funding Authority										
50	0.00	0	0	4,406,113	4,406,113	0.00	0	0	6,908,317	6,908,317
DP 20 - SB 448 - Transportation Grants										
50	0.00	0	171,093	0	171,093	0.00	0	347,318	0	347,318
DP 689 - FTE Reduction										
50	(4.00)	0	0	0	0	(4.00)	0	0	0	0
Total	(1.00)	\$0	\$310,205	\$5,193,281	\$5,503,486	(1.75)	\$0	\$432,927	\$7,516,575	\$7,949,502

New Proposals

DP 1 - Performance Programming Implementation - The legislature approved funding for consultant services to complete the development of the performance programming process.

DP 2 - Planning Processes/Requirements - The legislature approved funding for anticipated increased costs related to planning regulations promulgated by the Federal Highway Administration (FHWA).

DP 3 - Statewide Truck Activity Reporting System (STARS) - The legislature approved funding for the addition of 3.00 FTE in fiscal 2002 and 2.25 FTE in fiscal 2003 and operating costs to expand, evaluate, and maintain the Statewide Truck Activity Reporting System (STARS) program. The legislature designated an appropriation for STARS as a one-time-only appropriation.

DP 4 - TranPlan 21 Public Involvement Survey - The legislature approved funding for contracted services to conduct a statewide random sample telephone survey to measure public opinions on transportation issues.

DP 6 - Funding Adjustments - The legislature approved a funding shift from state special revenue to federal special revenue to more appropriately match funding anticipated for the 2003 biennium.

DP 7 - Federal Earmarked Funding Authority - The legislature approved additional federally earmarked authority that Montana received for local transportation and economic development needs.

DP 20 - SB 448 - Transportation Grants - The legislature provided funding for SB 448. SB 448 added a \$0.25 fee on vehicle registrations to fund grants for transportation services for senior citizens and persons with disabilities.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

All appropriations in the Transportation Planning Program are biennial.

Item [Transportation of Seniors and Persons with Disabilities line item] is contingent upon passage and approval of SB 448.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	538.56	(1.00)	127.67	665.23	(10.00)	127.67	656.23	656.23
Personal Services	18,569,050	1,059,378	4,161,028	23,789,456	954,235	3,973,288	23,496,573	47,286,029
Operating Expenses	11,634,282	437,889	(2,998,149)	9,074,022	700,934	(3,148,721)	9,186,495	18,260,517
Equipment	40,177	(7,155)	18,300	51,322	(7,155)	3,300	36,322	87,644
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	13,812,774	41,121,618	(54,934,392)	0	41,121,618	(54,934,392)	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	6,834	0	0	6,834	0	0	6,834	13,668
Total Costs	\$44,063,117	\$42,611,730	(\$53,753,213)	\$32,921,634	\$42,769,632	(\$54,106,525)	\$32,726,224	\$65,647,858
General Fund	39,981,718	42,100,604	(53,855,803)	28,226,519	42,177,291	(54,195,727)	27,963,282	56,189,801
State/Other Special	252,985	(43,379)	249,565	459,171	(43,284)	253,584	463,285	922,456
Federal Special	1,997,926	88,685	214,276	2,300,887	145,120	224,351	2,367,397	4,668,284
Proprietary	1,830,488	465,820	(361,251)	1,935,057	490,505	(388,733)	1,932,260	3,867,317
Total Funds	\$44,063,117	\$42,611,730	(\$53,753,213)	\$32,921,634	\$42,769,632	(\$54,106,525)	\$32,726,224	\$65,647,858

Agency Description

The Department of Revenue collects revenue from and enforces regulations for over 30 state taxes and fees. The department also regulates the sale and distribution of alcoholic beverages in the state. The department is organized into five core processes with overall agency direction and management coordinated from the Director's Office.

Summary of Legislative Action

The HB 2 legislative budget shows an increase of 117.67 FTE and total budget decreases from the base of nearly \$22.5 million for the two years of the biennium (\$65.8 million below the 2001 biennium). Of the staffing level changes, 123.7 FTE are existing positions that were moved from a non-budgeted fund to a budgeted fund. Therefore, the actual change in the department staffing level is a reduction of 6.03 FTE.

The major factor for the budget decrease was removal of \$27.6 million for local assistance for local government reimbursements made during the base year to compensate local governments for the loss of tax base resulting from actions taken by the 1999 legislature and appropriated in SB 184. When the 2001 legislature passed HB 124, local government reimbursements were established as statutory appropriations for the department to make entitlement payments to local governments. The local government reimbursements in HB 2 were redundant to the statutory appropriations so the legislature eliminated them from the department's HB 2 budget. The budget reductions attained by eliminating local assistance funding were offset by increases from moving the Customer Services Center from non-budgeted proprietary funding to HB 2.

The legislature moved the Customer Service Center, except for the collection services function that collects debt associated with delinquent accounts, from proprietary funding to HB 2. The net effect of this funding change was an increase of nearly \$1.4 million of total funds for the biennium to the HB 2 budget. The legislature also provided funding of \$208,144 general fund for the biennium to provide salary upgrades for auditors. The salary upgrade was seen as a way to improve retention of auditors, which have historically experienced high levels of turnover. The high auditor turnover has been linked to a drop in audit related revenue collections.

The legislature provided funding to implement an excess revenue tax on excess revenue derived from the sale of electrical energy in the state. The excess revenue tax would have been enacted if SB 512 had passed the legislature. SB 512 failed to pass out of the legislature so the agency funding is overstated by nearly \$813,000 general fund for the biennium. Almost all other increases to the base are the result of statewide present law adjustments for personal services, inflation and deflation, and fixed costs.

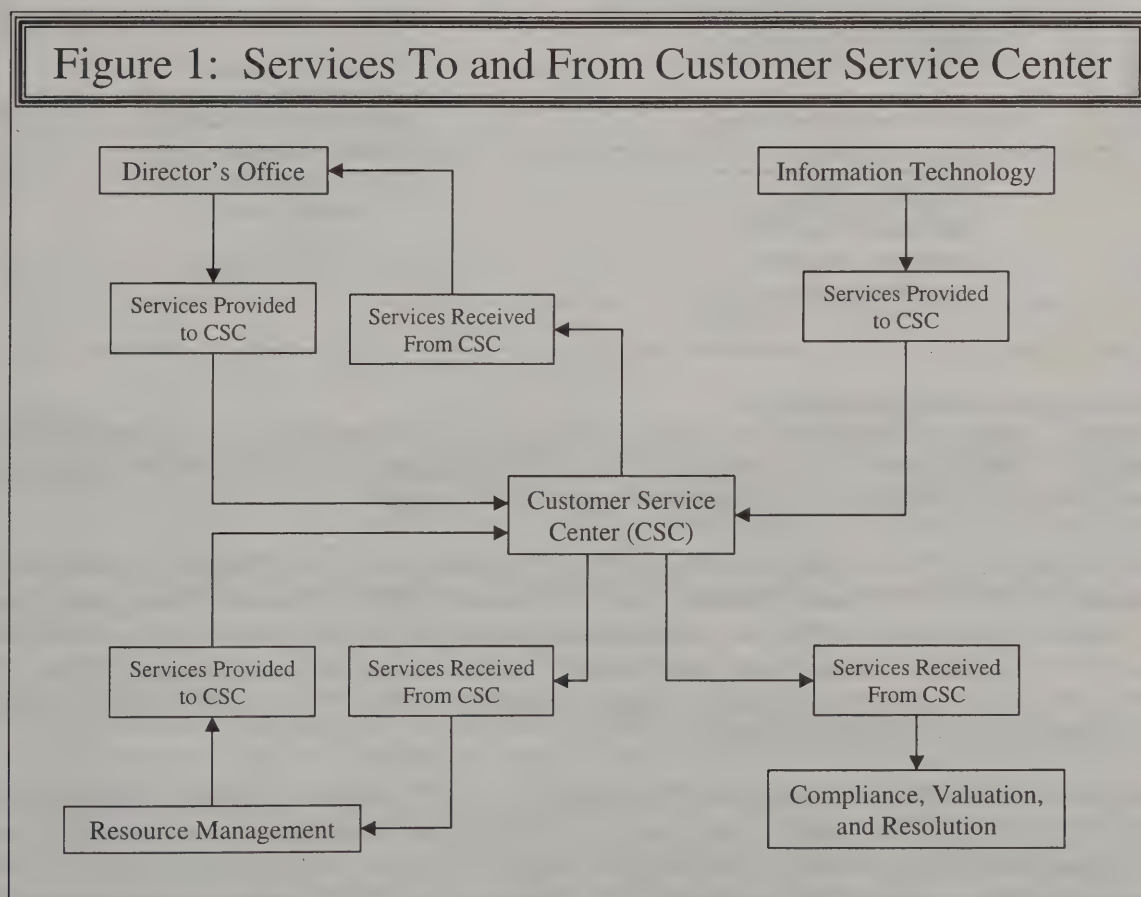
Agency Discussion

Customer Service Center Funding Shift

The legislature shifted funding for the Customer Service Center (CSC) from proprietary funds to HB 2 budgeted funds. This funding shift involved all programs of the department and also was a factor in a supplemental appropriation approved by the legislature for fiscal 2001. The legislative approval of moving the CSC to HB 2, including approving the supplemental appropriation for fiscal 2001, was coupled with accepting a mitigation plan whereby the department budget request for the 2003 biennium was reduced to offset increases in the current biennium. The effects of this action were: 1) 123.7 FTE of existing staff were moved from the non-budgeted proprietary environment to HB 2; 2) the Executive Budget was reduced by \$1.6 million total funds for the biennium (\$505,048 general fund reduction); and 3) general fund in fiscal 2001 was increased by \$2.7 million. Since the costs for collecting general fund revenue on delinquent accounts in the Department of Revenue will be funded with budgeted funds instead of non-budgeted proprietary funds derived from a percentage of the amount of general fund collected, the increased revenue from not paying a collection fee will offset the budget growth for a net zero general fund impact.

The Customer Service Center

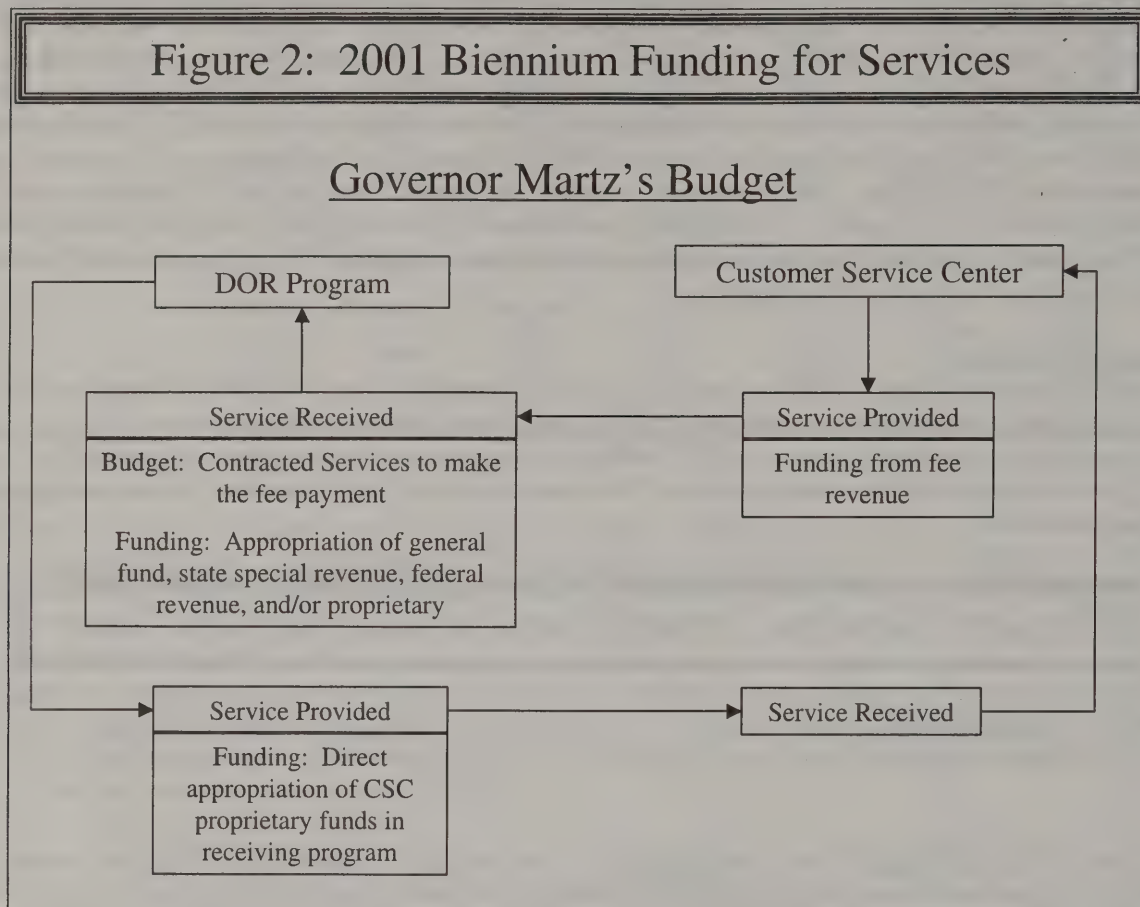
The CSC exists to provide services to other government entities, the major customer of the CSC being the other programs of the Department of Revenue. Likewise, the services the other programs of the department provide also benefit the CSC. Figure 1 illustrates the relationship between the CSC and the other programs of the department in regards to the exchange of services. This relationship will not change from the 2001 biennium to the 2003 biennium - the only change will be how the services are funded.



Customer Service Center with Proprietary Funding

The Executive Budget was submitted with the entire CSC funded with proprietary funds. With this financial structure, the CSC received payments from the other programs of the department when the center provided a service for the other

program. When the other department program provided a service for the CSC, the other program funded the CSC share of the costs to provide the service with direct appropriations of the CSC proprietary fund. Figure 2 illustrates how services exchanged between the CSC and the other programs of the department were funded during the 2001 biennium.



Customer Service Center Appropriated in HB 2

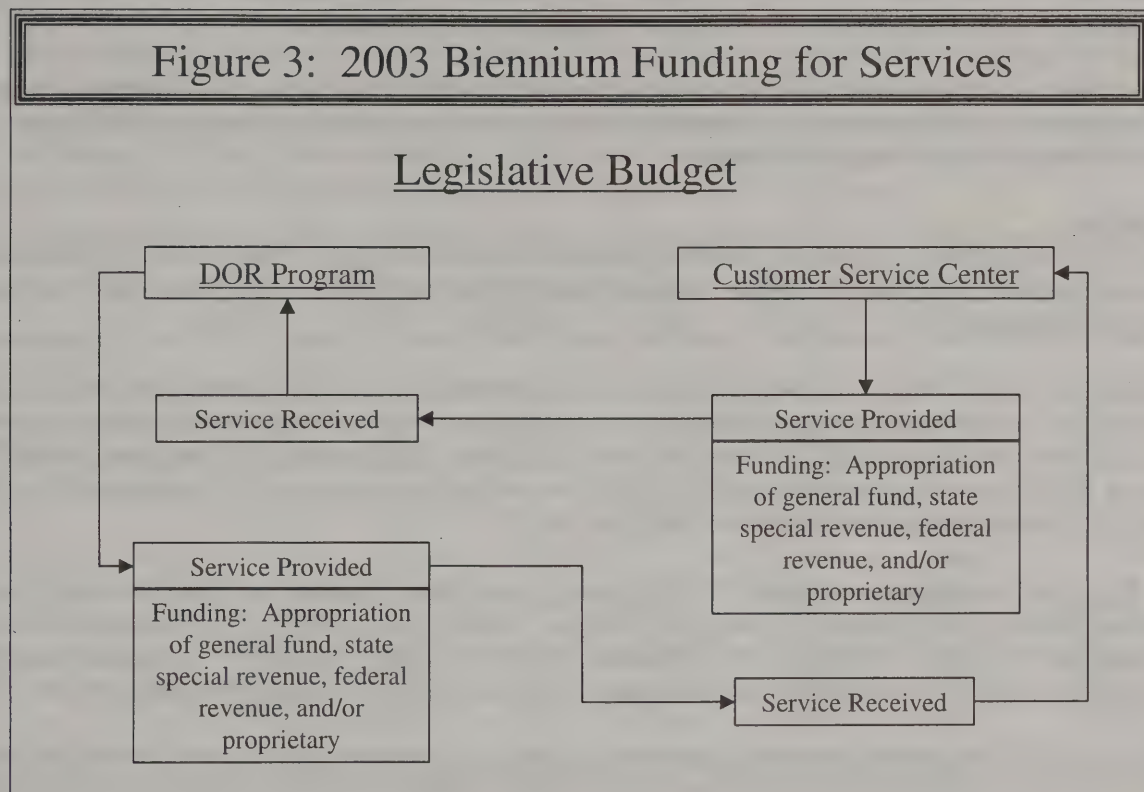
After the Executive Budget was submitted, the executive made a determination that the CSC should be moved from proprietary funding to funding with an appropriation in HB 2. The legislature concurred with this recommendation and approved a budget much different than that contained in the Executive Budget.

In order to make the change to the Executive Budget, three general actions were needed to move the CSC from proprietary funding to HB 2: 1) remove authority from the Director's Office, Resource Management Program, and Compliance, Valuation, and Resolution Program to make payments to the CSC for services received from the CSC (DP 22); 2) replace CSC proprietary funding with other funding sources for services the Director's Office, Information Technology Program, and Resource Management Program provide to the CSC (DP 23); and 3) move expenditures from the proprietary budget to the HB 2 budget (DP 21).

With the three general actions taken to move the CSC to HB 2, the CSC will still provide the same services for other programs of the department, but the costs to provide these services will be funded with appropriations of general fund, state special revenue, federal special revenue, and liquor enterprise proprietary fund instead of with fee revenue from payments made by the other programs (new proposal DP 21). New proposal DP 22 removed the cost for the payments to the CSC from the budgets of the other programs.

Likewise, the other programs of the department will continue to provide services for the CSC. Instead of receiving payments in the form of an appropriation of CSC proprietary fund from the CSC for providing these services, the

programs will now receive an appropriation from the general fund, state special revenue, federal special revenue, and liquor enterprise proprietary fund as appropriate for the programs' operations. New proposal DP 23 replaced CSC proprietary fund with the appropriate funding source to fund the costs of providing the services for the CSC. Figure 3 illustrates how services exchanged between the CSC and the other programs of the department will be funded during the 2003 biennium.



POINTS

History of POINTS

The 1997 legislature passed HB 188, which authorized state general obligation bonds for information technology projects during the 1999 biennium. HB 188 authorized \$14 million in bond authority for the department to develop an integrated revenue and tax system for income tax, unemployment insurance contributions, income modernization, and property tax integration. The project was named POINTS, which stands for Process Oriented Integrated System. In HB 15, the 1999 legislature provided \$18 million in additional bonding authority to complete the project and to realign the department's business processes.

Building on an Unstable Base

POINTS was implemented in a phased approach with the first phase being the infrastructure components that will provide the integration and support data and common processes of all tax types. POINTS phase 1 replaced eight of the department's legacy systems with five core modules - (case management, registration, return processing, accounting, and forms and correspondence). The contractor has completed POINTS phase 1 and the department has accepted the project under the terms of the contract. However, the legislature was concerned that the project was accepted with more than 100 programming defects that the department considers critical to the mission of the system. Since POINTS phase 1 will function as the foundation or common infrastructure for later phases of the system, the legislature was concerned that the department was proceeding with POINTS phase 2 without first clearing up the programming defects that exist in the phase 1 portions of the system.

Supplemental Appropriation

The legislature approved a \$319,000 general fund supplemental appropriation in HB 3 for POINTS related costs. Of this supplemental appropriation, \$100,000 was restricted for legal fees related to dealings with the existing contractor for POINTS phase 2 and \$219,100 was restricted to costs to upgrade the legacy property tax system. Both of the restricted amounts were designated to continue into the 2003 biennium and both are related to ongoing contract disputes between the department and the contractor for POINTS phase 2 that threaten to delay implementation of the system and may impact the ability of the system to be used for the upcoming property reappraisal cycle.

The concerns of the legislature resulted in language being inserted into HB 2 that directs the department to provide status reports to the Revenue and Transportation Committee during the interim on the progress of POINTS phase 2 and the status of fixing mission-critical defects of the system.

Other Legislation

Senate Bill 48 - SB 48 prohibits out-of-state direct shipment of alcohol beverages to Montanans. SB 48 creates a beer, a wine, and a beer and wine connoisseur's license. Increased general fund revenues from the new licenses are anticipated to be \$4,670 for the biennium.

Senate Bill 350 - SB 350 provided an income tax credit for contributions made to the housing trust fund. The department estimates that SB 350 would reduce general fund revenues by \$7,840 per year and have a general fund cost of \$20,177 in fiscal 2002 to develop new income tax forms and program department tax accounting and monitoring systems. The net fiscal impact of SB 350 on the general fund is a \$35,857 reduction for the biennium. The executive did not request nor did the legislature provide funding for the costs to implement SB 350.

Senate Bill 512 - The legislature considered SB 512, which would have imposed an excess revenues tax on excess revenue derived from the sale of electrical energy in Montana. In anticipation of SB 512 becoming law, the legislature provided funding in HB 2 of \$812,778 for the biennium. The HB 2 funding for SB 512 was made contingent upon passage and approval of SB 512. Since SB 512 did not pass out of the legislature, the appropriations are not valid.

Senate Bill 514 - SB 514 revised requirements for reporting real estate transactions. The department estimates that SB 514 would cost \$12,300 in fiscal 2002 to print new realty transfer certificates, but SB 514 would increase general fund revenues by \$109,350 for the biennium. The executive did not request nor did the legislature provide funding for the costs to implement SB 514.

House Bill 124 - HB 124 revised local government funding laws. HB 124 changed where revenues from fees and taxes previously collected by the counties are to be deposited. For the most part, these revenues are to be deposited in the state general fund. Impacts on counties are offset by entitlement payments made from the state general fund. HB 124 establishes a statutory appropriation to make the entitlement payments. Because the statutory appropriation is redundant to the budget authority for local government reimbursements that was contained in HB 2, general fund for the department was reduced by roughly \$109.9 million for the biennium.

House Bill 348 - HB 348 revised laws governing state agency liquor stores and increased the commission rates for state agency liquor stores. The department anticipates that the increased rates of commissions for state agency liquor stores will reduce general fund revenues by \$288,608 starting in fiscal 2003.

House Bill 399 - HB 399 revised where the liquor license and permit fees are to be deposited. Previously, they were deposited in the state general fund and an appropriation was made from the general fund to fund the administrative expenses for collecting the fees. HB 399 directs revenue from liquor license fees and permit fees to be deposited into the liquor enterprise fund. The legislature accommodated the changes of HB 399 by reducing general fund by roughly \$1.1 million and increasing proprietary funds by roughly \$1 million. In the process, total funding in the department was reduced by \$87,800 with an equal increase in total funding in the Gambling Control Division of the Department of Justice.

House Bill 596 - HB 596 exempts private golf courses from license quotas for golf course beer and wine licenses. The department stated that there would be a minimal general fund revenue increase from the new licenses issued due to the HB 596 changes. The new requirements would increase general fund revenue by \$200 for every private golf course that currently doesn't have a beer, wine, or all-beverage license and opts to acquire a golf course beer and wine license. The number of new licenses that would be acquired was not available.

House Bill 623 - HB 623 provides a tax credit for businesses that provide day care facilities and for providing referrals and assistance to employees on locating day care facilities. The department estimates that general fund revenues would be \$20,145 lower for the 2003 biennium. The department estimates that HB 623 would require additional expenses of \$20,241 in fiscal 2002 to modify the tax forms and provide programming changes to tax accounting and monitoring systems. The executive did not request nor did the legislature provide funding for the costs to implement HB 623. The net fiscal impact of HB 623 on the general fund is a \$40,386 reduction for the biennium.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg - Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg - Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	538.56	533.56	665.23	131.67	528.56	656.23	127.67	
Personal Services	18,569,050	19,529,996	23,789,456	4,259,460	19,523,285	23,496,573	3,973,288	8,232,748
Operating Expenses	11,634,282	13,387,790	9,074,022	(4,313,768)	13,595,204	9,186,495	(4,408,709)	(8,722,477)
Equipment	40,177	104,506	51,322	(53,184)	33,022	36,322	3,300	(49,884)
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	13,812,774	54,934,392	0	(54,934,392)	54,934,392	0	(54,934,392)	(109,868,784)
Transfers	0	0	0	0	0	0	0	0
Debt Service	6,834	6,834	6,834	0	6,834	6,834	0	0
Total Costs	\$44,063,117	\$87,963,518	\$32,921,634	(\$55,041,884)	\$88,092,737	\$32,726,224	(\$55,366,513)	(\$110,408,397)
General Fund	39,981,718	83,276,103	28,226,519	(55,049,584)	83,349,426	27,963,282	(55,386,144)	(110,435,728)
State/Other Special	252,985	214,550	459,171	244,621	213,497	463,285	249,788	494,409
Federal Special	1,997,926	2,150,887	2,300,887	150,000	2,192,397	2,367,397	175,000	325,000
Proprietary	1,830,488	2,321,978	1,935,057	(386,921)	2,337,417	1,932,260	(405,157)	(792,078)
Total Funds	\$44,063,117	\$87,963,518	\$32,921,634	(\$55,041,884)	\$88,092,737	\$32,726,224	(\$55,366,513)	(\$110,408,397)

Executive Budget Comparison

The legislative budget is significantly different than the Executive Budget. This difference is primarily attributed to two factors: 1) elimination of local government reimbursements; and 2) a request made by the executive subsequent to the submission of the Governor Martz budget proposal that was approved by the legislature and involved moving the Customer Service Center from proprietary funding to HB 2 appropriated funding. The resulting HB 2 legislative budget is a reduction of just over \$110.4 million for the biennium from the Executive Budget, including just over \$110.4 million lower general fund. State special and federal special revenue are roughly \$494,000 and \$325,000 higher and total proprietary funds are just over \$792,000 lower than the Executive Budget.

Due to the passage of HB 124, local government reimbursements will now be statutorily appropriated. The Executive Budget had included almost \$110 million general fund for local reimbursements.

When the legislature accepted the plan proposed by the executive to move the Customer Service Center off proprietary funding and back to HB 2, as it was during the 1999 biennium, the legislature accepted a plan to mitigate a portion of a supplemental appropriation to fund the change. While the Customer Service Center was funded with proprietary funds, it incurred short-term debt to pay its operating costs. The supplemental appropriation will liquidate this debt. Legislature acceptance of the executive's mitigation plan removed most of the budget increases that were not associated with statewide present law adjustments, except for increases tied to passage of other legislation and roughly \$208,000 to provide salary upgrades for auditors.

Language

The department shall provide status reports on the POINTS system to the Revenue and Taxation Committee at each regularly scheduled committee meeting. The status reports must include work plan benchmark updates, progress on fixing mission-critical and nonmission-critical defects, and the status of implementing and operating all phases of the system.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	38.50	0.00	1.00	39.50	0.00	1.00	39.50	39.50
Personal Services	1,894,413	(23,568)	118,097	1,988,942	(13,824)	118,552	1,999,141	3,988,083
Operating Expenses	877,649	107,492	(218,323)	766,818	(23,081)	(371,279)	483,289	1,250,107
Equipment	0	0	15,000	15,000	0	0	0	15,000
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$2,772,062	\$83,924	(\$85,226)	\$2,770,760	(\$36,905)	(\$252,727)	\$2,482,430	\$5,253,190
General Fund	2,631,010	(1,364)	109,946	2,739,592	(125,574)	(53,649)	2,451,787	5,191,379
State/Other Special	574	(274)	0	300	(574)	0	0	300
Federal Special	805	(5)	0	800	(805)	0	0	800
Proprietary	139,673	85,567	(195,172)	30,068	90,048	(199,078)	30,643	60,711
Total Funds	\$2,772,062	\$83,924	(\$85,226)	\$2,770,760	(\$36,905)	(\$252,727)	\$2,482,430	\$5,253,190

Program Description

The Director's Office provides management control, policy direction, strategic planning, and legal services to assist the tax and liquor programs in fulfilling their responsibilities. Legal services advises all agency programs and handles tax appeals before the State Tax Appeal Board and state courts. The Director's Office also includes the Policy and Performance Management Unit, the Tax Policy and Research Unit, and the Office of Dispute Resolution.

The Policy and Performance Management Unit supports the department's core processes and is responsible for coordinating the strategic development of operating policies, budgets, rules, performance management, change management, and strategic planning for the department. The Tax Policy and Research (TPR) Unit is responsible for estimating state revenues, coordinating Department of Revenue (DOR) legislation and fiscal notes, reviewing all legislation related to revenue, and conducting revenue-related research. The Office of Dispute Resolution has consolidated the department's dispute resolution efforts, including informal tax appeals, into a single location and process.

Program Narrative

The legislature anticipated that SB 512 would become law and provided funding of \$292,357 general fund in fiscal 2002 and \$124,856 general fund in fiscal 2003 to implement the bill. The funding associated with SB 512 was made contingent upon its passage and approval. SB 512, which would have imposed an excess revenue tax of the sale of electric energy, failed to pass out of the legislature. As such the appropriations are void and the program funding included in the program tables are overstated by these amounts. Furthermore, the program budget tables are overstated by 2.0 FTE in each year because the legislature failed to pass SB 512.

Funding

The legislature approved moving the Customer Service Center from proprietary funds to appropriated funds in HB 2. This action changed the funding for the Director's Office from primarily general fund and Customer Service Center proprietary funds to funding by general fund and Liquor Enterprise proprietary funds. A small part (less than 1 percent) of program funding continues to be provided with state and federal special revenues.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				54,384					64,534
Vacancy Savings				(54,322)					(54,627)
Inflation/Deflation				(654)					(607)
Fixed Costs				116,916					(13,676)
Total Statewide Present Law Adjustments				\$116,324					(\$4,376)
DP 696 - Data Network Fixed Cost Reduction									
0.00	(702)	0	0	(702)	0.00	(702)	0	0	(702)
DP 698 - Rent Reduction - Use of Capitol Land Grant									
0.00	(8,068)	0	0	(8,068)	0.00	(8,096)	0	0	(8,096)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(23,630)	0	0	(23,630)	0.00	(23,731)	0	0	(23,731)
Total Other Present Law Adjustments									
0.00	(\$32,400)	\$0	\$0	(\$32,400)	0.00	(\$32,529)	\$0	\$0	(\$32,529)
Grand Total All Present Law Adjustments				\$83,924					(\$36,905)

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 22 - Allocation for Effects of Program 06 in HB 2										
01	0.00	(371,583)	0	0	(371,583)	0.00	(371,583)	0	0	(371,583)
DP 23 - Allocation of Funding due to Program 06 in HB 2										
01	0.00	195,172	0	0	0*	0.00	199,078	0	0	0*
DP 30 - Reduce Participation in External Organizations										
01	0.00	(6,000)	0	0	(6,000)	0.00	(6,000)	0	0	(6,000)
DP 512 - SB 512 Electrical Energy Excess Revenue Tax										
01	2.00	292,357	0	0	292,357	2.00	124,856	0	0	124,856
DP 689 - FTE Reduction										
01	(1.00)	0	0	0	0	(1.00)	0	0	0	0
Total	1.00	\$109,946	\$0	\$0	(\$85,226)*	1.00	(\$53,649)	\$0	\$0	(\$252,727)*

New Proposals

DP 22 - Allocation for Effects of Program 06 in HB 2 - The legislature approved an executive request to move the Customer Service Center from proprietary funding to funding in HB 2. As such, the legislature removed the funding

associated with payments from the program to the Customer Service Center for services the center performs for the Director's Office. The Customer Service Center will provide the same services for the program, but with a direct appropriation instead of with funding from fee revenue.

DP 23 - Allocation of Funding due to Program 06 in HB 2 - The legislature approved an executive request to move the Customer Service Center from proprietary funding to funding in HB 2. As such the legislature removed the funding from the Customer Service Center proprietary account from the program's funding model. Prior to the change, direct appropriations of Customer Service Center proprietary fund were used to fund services this program performed for the Customer Service Center. The services will still be performed for the Customer Service Center, but they will now be funded with general fund.

DP 30 - Reduce Participation in External Organizations - The legislature reduced funding for the department to participate in external organizations.

DP 512 - SB 512 Electrical Energy Excess Revenue Tax - The legislature provided contingent funding to add 2.00 FTE and operating costs to administer SB 512. SB 512 imposes an electrical energy excess revenue tax. The legislature restricted all funding for this purpose. Of this funding, \$150,000 is designated as a biennial appropriation and an additional \$19,000 of the funding is designated as a one-time-only appropriation. The biennial portion of the funding is designated for legal and litigation expenses. The one time portion of the appropriation is designated for purchasing personal computers and computer equipment. Subsequent to funding the impacts of SB 512 in HB 2, the legislature failed to pass SB 512. As such, HB 2 line items 1b, 1c, and 1d for the Director's Office are not valid appropriations.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

Items [Director's Office - SB 512 line items] are contingent upon passage and approval of SB 512.

Note: SB 512 did not pass out of the legislature, so the appropriations in the SB 512 line items of HB 2 are void.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	37.25	0.00	0.00	37.25	0.00	0.00	37.25	37.25
Personal Services	1,672,539	15,326	0	1,687,865	26,864	0	1,699,403	3,387,268
Operating Expenses	728,356	(2,586)	0	725,770	99,841	0	828,197	1,553,967
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$2,400,895	\$12,740	\$0	\$2,413,635	\$126,705	\$0	\$2,527,600	\$4,941,235
General Fund	1,899,468	(185,083)	439,989	2,154,374	(86,981)	448,795	2,261,282	4,415,656
Federal Special	178,339	10,602	0	188,941	16,313	0	194,652	383,593
Proprietary	323,088	187,221	(439,989)	70,320	197,373	(448,795)	71,666	141,986
Total Funds	\$2,400,895	\$12,740	\$0	\$2,413,635	\$126,705	\$0	\$2,527,600	\$4,941,235

Program Description

The Information Technology Program is responsible for planning, coordinating, delivering, and controlling information resources for the department. The program is responsible for managing all computing services provided to the department, including integrating and managing desktop, mid-tier, and mainframe applications as well as network support services.

Funding

The legislature approved moving the Customer Service Center from proprietary funds to appropriated funds in HB 2. This action changed the funding for the Information Technology Program from primarily general fund, Customer Service Center proprietary funds, and federal funds to funding by general fund, Liquor Enterprise proprietary funds, and federal funds.

Present Law Adjustments										
Fiscal 2002					Fiscal 2003					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				85,654					97,670	
Vacancy Savings				(48,817)					(49,176)	
Inflation/Deflation				(2,528)					(2,528)	
Fixed Costs				9,513					10,217	
Total Statewide Present Law Adjustments				\$43,822					\$56,183	
DP 1 - Information Systems Support										
0.00	(1,136)	0	0	(1,136)	0.00	100,614	0	0	100,614	
DP 696 - Data Network Fixed Cost Reduction										
0.00	(648)	0	0	(648)	0.00	(648)	0	0	(648)	
DP 698 - Rent Reduction - Use of Capitol Land Grant										
0.00	(7,787)	0	0	(7,787)	0.00	(7,814)	0	0	(7,814)	
DP 699 - Vacancy Savings at 4 Percent										
0.00	(19,790)	0	(1,721)	(21,511)	0.00	(19,900)	0	(1,730)	(21,630)	
Total Other Present Law Adjustments										
0.00	(\$29,361)	\$0	(\$1,721)	(\$31,082)	0.00	\$72,252	\$0	(\$1,730)	\$70,522	
Grand Total All Present Law Adjustments				\$12,740					\$126,705	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Information Systems Support - The legislature approved funding to support the Computer Assisted Mass Appraisal (CAMA) software system used to assist in completing mass property tax reappraisals and to remove one-time costs from the base.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 23 - Allocation of Funding due to Program 06 in HB 2										
02	0.00	439,989	0	0	0*	0.00	448,795	0	0	0*
DP 689 - FTE Reduction										
02	0.00	0	0	0	0	0.00	0	0	0	0
Total	0.00	\$439,989	\$0	\$0	\$0*	0.00	\$448,795	\$0	\$0	\$0*

New Proposals

DP 23 - Allocation of Funding due to Program 06 in HB 2 - The legislature approved an executive request to move the Customer Service Center from proprietary funding to funding in HB 2. As such, the legislature removed the funding from the Customer Service Center proprietary account from the program's funding model. Prior to the change, direct appropriations of Customer Service Center proprietary fund were used to fund services this program performed for the Customer Service Center. The services will still be performed for the Customer Service Center, but they will now be funded with general fund.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	43.00	0.00	(1.00)	42.00	0.00	(1.00)	42.00	42.00
Personal Services	1,481,530	160,515	0	1,642,045	169,960	0	1,651,490	3,293,535
Operating Expenses	1,023,783	330,215	(440,775)	913,223	353,037	(440,775)	936,045	1,849,268
Equipment	28,622	0	0	28,622	0	0	28,622	57,244
Capital Outlay	0	0	0	0	0	0	0	0
Debt Service	455	0	0	455	0	0	455	910
Total Costs	\$2,534,390	\$490,730	(\$440,775)	\$2,584,345	\$522,997	(\$440,775)	\$2,616,612	\$5,200,957
General Fund	1,166,663	297,698	34,390	1,498,751	319,913	39,976	1,526,552	3,025,303
Proprietary	1,367,727	193,032	(475,165)	1,085,594	203,084	(480,751)	1,090,060	2,175,654
Total Funds	\$2,534,390	\$490,730	(\$440,775)	\$2,584,345	\$522,997	(\$440,775)	\$2,616,612	\$5,200,957

Program Description

The Resource Management Program provides services and support to the department by integrating the human resources, accounting, facilities management, communications, and training and education functions of the department. The Liquor Distribution Unit is managed in this program.

Funding

The legislature approved moving the Customer Service Center from proprietary funds to appropriated funds in HB 2. This action changed the funding for the Resource Management Program from primarily general fund, Customer Service Center proprietary funds, and Liquor Enterprise funds to funding by general fund and Liquor Enterprise proprietary funds. Because the Liquor Enterprise distributes its profits to the general fund, expenditures made by the program are required to be appropriated by the legislature. As such, Liquor Enterprise operations are included in the budget tables for the program.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				228,932					238,771
Vacancy Savings				(46,640)					(46,936)
Inflation/Deflation				3,692					3,242
Fixed Costs				9,770					10,721
Total Statewide Present Law Adjustments				\$195,754					\$205,798
DP 1 - Field Office Rent	0.00	325,533	0	325,533	0.00	347,881	0	0	347,881
DP 696 - Data Network Fixed Cost Reduction	0.00	(670)	0	(767)*	0.00	(670)	0	0	(767)*
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(8,013)	0	(8,013)	0.00	(8,040)	0	0	(8,040)
DP 699 - Vacancy Savings at 4 Percent	0.00	(12,722)	0	(21,777)*	0.00	(12,776)	0	0	(21,875)*
Total Other Present Law Adjustments	0.00	\$304,128	\$0	\$294,976*	0.00	\$326,395	\$0	\$0	\$317,199*
Grand Total All Present Law Adjustments				\$490,730*					\$522,997*

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Field Office Rent - The legislature approved increased funding for rent of office space occupied by department personnel in county buildings and for increased rental costs in non-county buildings.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 22 - Allocation for Effects of Program 06 in HB 2										
05	0.00	(244,776)	0	0	(440,775)*	0.00	(244,776)	0	0	(440,775)*
DP 23 - Allocation of Funding due to Program 06 in HB 2										
05	0.00	279,166	0	0	0*	0.00	284,752	0	0	0*
DP 689 - FTE Reduction										
05	(1.00)	0	0	0	0	(1.00)	0	0	0	0
Total	(1.00)	\$34,390	\$0	\$0	(\$440,775)*	(1.00)	\$39,976	\$0	\$0	(\$440,775)*

New Proposals

DP 22 - Allocation for Effects of Program 06 in HB 2 - The legislature approved an executive request to move the Customer Service Center from proprietary funding to funding in HB 2. As such, the legislature removed the funding associated with payments from the program to the Customer Service Center for services the center performs for this program. The Customer Service Center will provide the same services for the program, but with a direct appropriation instead of with funding from fee revenue.

DP 23 - Allocation of Funding due to Program 06 in HB 2 - The legislature approved an executive request to move the Customer Service Center from proprietary funding to funding in HB 2. As such the legislature removed the funding from the Customer Service Center proprietary account from the program's funding model. Prior to the change, direct appropriations of Customer Service Center proprietary fund were used to fund services this program performed for the Customer Service Center. The services will still be performed for the Customer Service Center, but they will now be funded with general fund.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

Liquor division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profit and taxes to appropriate accounts are appropriated to the department in amounts not to exceed \$64,200,950 in fiscal 2002 and \$67,857,880 in fiscal 2003.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	0.00	0.00	124.70	124.70	0.00	124.70	124.70	124.70
Personal Services	0	0	3,688,958	3,688,958	0	3,708,348	3,708,348	7,397,306
Operating Expenses	0	0	2,077,528	2,077,528	0	2,084,346	2,084,346	4,161,874
Equipment	0	0	3,300	3,300	0	3,300	3,300	6,600
Transfers	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$0	\$0	\$5,769,786	\$5,769,786	\$0	\$5,795,994	\$5,795,994	\$11,565,780
General Fund	0	0	3,715,801	3,715,801	0	3,737,041	3,737,041	7,452,842
State/Other Special	0	0	272,775	272,775	0	276,852	276,852	549,627
Federal Special	0	0	1,032,135	1,032,135	0	1,042,210	1,042,210	2,074,345
Proprietary	0	0	749,075	749,075	0	739,891	739,891	1,488,966
Total Funds	\$0	\$0	\$5,769,786	\$5,769,786	\$0	\$5,795,994	\$5,795,994	\$11,565,780

Program Description

The Customer Service Center (CSC) provides the following centralized services for the department and other subscribing agencies: 1) customer service for registration and application inquiries; 2) mail and remittance processing; 3) data capture; 3) accounts receivable collections; 4) account maintenance; and 5) record retention.

The center combines the customer intake, document and information processing, and the accounts receivable and collections functions into a single business unit designed to provide centralized and consistent customer service, data and information processing, and accounts receivable collections for the department and its partners.

The customer intake function represents the initial contact point for customers. The document and information processing function provides data capture, remittance processing, records management, direct deposit of cash receipts and revenue, and mail processing and distribution. The accounts receivable and collections function provides a single point of contact for debtors and is responsible for delinquent account collection and enforcement activities.

Funding

The legislature approved moving the Customer Service Center from proprietary funds to appropriated funds in HB 2. This action changed the funding for the Customer Service Center from proprietary funds to funding by general fund, state special revenue, federal funds, and Liquor Enterprise proprietary funds. The collections services function, also known as bad debt collection, was not included in this change and remains funded with proprietary funds. The costs and funding for the collections services functions are not included in the budget tables for the program, but are described in the proprietary section and funded via revenues collected through fees approved by the legislature.

Present Law Adjustments										
Fiscal 2002						Fiscal 2003				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					0					0
Vacancy Savings					0					0
Inflation/Deflation					0					0
Fixed Costs					0					0
Total Statewide Present Law Adjustments					\$0					\$0
DP 696 - Data Network Fixed Cost Reduction	0.00	0	0	0	0	0.00	0	0	0	0
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	0	0	0	0	0.00	0	0	0	0
DP 699 - Vacancy Savings at 4 Percent	0.00	0	0	0	0	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0
Grand Total All Present Law Adjustments					\$0					\$0

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Fiscal 2002						Fiscal 2003				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 21 - Reestablishing Program 06 in HB 2										
06	123.70	4,337,801	228,844	1,032,135	5,833,755*	123.70	4,359,041	232,754	1,042,210	5,859,796*
DP 30 - Reduce Participation in External Organizations										
06	0.00	(5,500)	0	0	(5,500)	0.00	(5,500)	0	0	(5,500)
DP 31 - Eliminate Toll-Free Line for Telefile										
06	0.00	(58,500)	0	0	(58,500)	0.00	(58,500)	0	0	(58,500)
DP 40 - Unclaimed Property Auditor FTE - OTO										
06	1.00	0	43,931	0	43,931	1.00	0	44,098	0	44,098
DP 51 - HB 399 - Funding Switch										
06	0.00	(558,000)	0	0	(43,900)*	0.00	(558,000)	0	0	(43,900)*
Total	124.70	\$3,715,801	\$272,775	\$1,032,135	\$5,769,786*	124.70	\$3,737,041	\$276,852	\$1,042,210	\$5,795,994*

New Proposals

DP 21 - Reestablishing Program 06 in HB 2 - The legislature approved an executive request to move the Customer Service Center from proprietary funding to funding in HB 2. As such the legislature approved funding to move 123.70

FTE, the associated base, and statewide present law adjustments to HB 2.

DP 30 - Reduce Participation in External Organizations - The legislature reduced funding for the department to participate in external organizations.

DP 31 - Eliminate Toll-Free Line for Telefile - The legislature reduced funding for the toll-free telephone line used for taxpayers to file their income taxes via the telephone.

DP 40 - Unclaimed Property Auditor FTE - OTO - The legislature increased funding to add 1.0 FTE grade 13 auditor for the Unclaimed Property Program and for operating costs for the position. The legislature designated this as a one-time-only appropriation.

DP 51 - HB 399 - Funding Switch - The legislature approved a funding switch from general fund to the liquor enterprise fund to implement HB 399. HB 399 revises liquor licensing laws by directing the deposit of liquor license fees and permit fees into the liquor enterprise fund instead of the general fund.

Language

Item [Customer Service and Information Practices] includes reductions of general fund of \$558,000 in fiscal 2002 and of \$558,000 in fiscal 2003 and increases of proprietary funds of \$514,100 in fiscal 2002 and of \$514,100 in fiscal 2003. These reductions and increases are contingent upon passage and approval of HB 124.

Proprietary Rates

Program Description

The Customer Service Center (CSC) provides the collection services function that collects debt associated with delinquent accounts.

Revenues and Expenses

The program is forecasting revenues of roughly \$380,000 over the biennium from fee revenue levied as a percentage of the amount of delinquent accounts the program collects. The program is estimating that nearly \$330,000 in expenses would be incurred to collect the funds during the biennium.

Rate Explanation

For the 2003 biennium, the legislature approved a 10 percent collection fee on the amount of delinquent accounts collected by the program.

New Proposals

DP 21 - Reestablishing Program 06 in HB 2 - The legislature approved an executive request to move the Customer Service Center from proprietary funding to funding in HB 2. As such the legislature approved funding to move 123.70 FTE, the associated base and statewide present law adjustments to HB 2.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	419.81	(1.00)	2.97	421.78	(10.00)	2.97	412.78	412.78
Personal Services	13,520,568	907,105	353,973	14,781,646	771,235	146,388	14,438,191	29,219,837
Operating Expenses	9,004,494	2,768	(4,416,579)	4,590,683	271,137	(4,421,013)	4,854,618	9,445,301
Equipment	11,555	(7,155)	0	4,400	(7,155)	0	4,400	8,800
Local Assistance	13,812,774	41,121,618	(54,934,392)	0	41,121,618	(54,934,392)	0	0
Debt Service	6,379	0	0	6,379	0	0	6,379	12,758
Total Costs	\$36,355,770	\$42,024,336	(\$58,996,998)	\$19,383,108	\$42,156,835	(\$59,209,017)	\$19,303,588	\$38,686,696
General Fund	34,284,577	41,989,353	(58,155,929)	18,118,001	42,069,933	(58,367,890)	17,986,620	36,104,621
State/Other Special	252,411	(43,105)	(23,210)	186,096	(42,710)	(23,268)	186,433	372,529
Federal Special	1,818,782	78,088	(817,859)	1,079,011	129,612	(817,859)	1,130,535	2,209,546
Total Funds	\$36,355,770	\$42,024,336	(\$58,996,998)	\$19,383,108	\$42,156,835	(\$59,209,017)	\$19,303,588	\$38,686,696

Program Description

The Compliance, Valuation, and Resolution (CVR) Program oversees audits and measures in order to verify that taxpayers are complying with the laws. The program is also responsible for consistent valuation of properties statewide for purposes of property taxation. Program employees are presently located in all 56 counties.

Program Narrative

The legislature anticipated that SB 512 would become law and provided funding of \$199,720 general fund in fiscal 2002 and \$195,845 general fund in fiscal 2003 to implement the bill. The funding associated with SB 512 was made contingent upon its passage and approval. SB 512, which would have imposed an excess revenue tax of the sale of electric energy, failed to pass out of the legislature. As such, the appropriations are void and the program funding included in the program tables are overstated by these amounts. Furthermore, the program budget tables are overstated by 3.0 FTE in each year because the legislature failed to pass SB 512.

Funding

The Compliance, Valuation, and Resolution Program is funded with general fund, state, and federal special revenues. The program receives state special revenue from charges for administering several taxes. It receives federal special revenue as reimbursement for auditing unemployment insurance collections.

Present Law Adjustments											
-----Fiscal 2002-----						-----Fiscal 2003-----					
	FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services					1,532,397						1,620,902
Vacancy Savings					(406,562)						(409,215)
Inflation/Deflation					(56,750)						(56,636)
Fixed Costs					175,057						192,444
Total Statewide Present Law Adjustments					\$1,244,142						\$1,347,495
DP 1 - Reappraisal - 2003											
	0.00	(169,570)	0	0	(169,570)		0.00	112,049	0	0	112,049
DP 2 - Leased Vehicle Request											
	0.00	14,740	0	0	14,740		0.00	0	0	0	0
DP 3 - Property Valuation Improvement Fund											
	0.00	0	50,000	0	50,000		0.00	0	50,000	0	50,000
DP 5 - Project META Efficiencies											
	(1.00)	(26,401)	0	0	(26,401)		(10.00)	(264,655)	0	0	(264,655)
DP 7 - Annual Reimbursements to Local Governments											
	0.00	41,121,618	0	0	41,121,618		0.00	41,121,618	0	0	41,121,618
DP 696 - Data Network Fixed Cost Reduction											
	0.00	(5,691)	0	0	(5,691)		0.00	(5,691)	0	0	(5,691)
DP 698 - Rent Reduction - Use of Capitol Land Grant											
	0.00	(10,379)	0	0	(10,379)		0.00	(10,415)	0	0	(10,415)
DP 699 - Vacancy Savings at 4 Percent											
	0.00	(177,468)	(1,851)	(14,804)	(194,123)		0.00	(176,964)	(1,844)	(14,758)	(193,566)
Total Other Present Law Adjustments											
	(1.00)	\$40,746,849	\$48,149	(\$14,804)	\$40,780,194		(10.00)	\$40,775,942	\$48,156	(\$14,758)	\$40,809,340
Grand Total All Present Law Adjustments					\$42,024,336						\$42,156,835

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Reappraisal - 2003 - The legislature removed funding for fiscal 2002 associated with one-time costs that occurred in the base year, but which are not ongoing costs. For fiscal 2003, the legislature approved increased funding for operating costs associated with end-of-cycle efforts of the property tax reappraisal SB 184 directed to be completed by January 1, 2003.

DP 2 - Leased Vehicle Request - The legislature approved funding to lease vehicles from the State Motor Pool as the department retires older and less reliable agency-owned vehicles.

DP 3 - Property Valuation Improvement Fund - The legislature approved an executive request to fund software license agreements, copier maintenance, and the acquisition of supplies and materials, customer service terminals, and printers and plotters using the Property Valuation Improvement Fund.

DP 5 - Project META Efficiencies - The legislature removed funding associated with the reduction of 1.0 FTE in fiscal 2002 and 10.0 FTE in fiscal 2003. The funding reduction is associated with efficiencies gained by the reorganization of the department during the 2001 biennium.

DP 7 - Annual Reimbursements to Local Governments - The legislature approved funding for annual reimbursements to local governments for the loss of tax base resulting from actions taken by the 1999 legislature. The executive included this request under direction contained in SB 184 passed by the 1999 legislature. HB 124 establishes a statutory appropriation to provide entitlement payments to local governments for the impacts that these reimbursement payments addressed. Since the annual reimbursement payments of this decision package are redundant to HB 124 entitlement

payments new proposal DP 124 eliminates the reimbursement payments.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 22 - Allocation for Effects of Program 06 in HB 2										
08	0.00	(3,505,335)	(23,210)	(817,859)	(4,346,404)	0.00	(3,505,277)	(23,268)	(817,859)	(4,346,404)
DP 30 - Reduce Participation in External Organizations										
08	0.00	(109,000)	0	0	(109,000)	0.00	(109,000)	0	0	(109,000)
DP 31 - Salary Upgrades for Auditors										
08	0.00	208,144	0	0	208,144	0.00	0	0	0	0
DP 124 - HB 124 - Local Government Assistance Reduction										
08	0.00	(54,934,392)	0	0	(54,934,392)	0.00	(54,934,392)	0	0	(54,934,392)
DP 512 - SB 512 Electrical Energy Excess Revenue Tax										
08	3.00	199,720	0	0	199,720	3.00	195,845	0	0	195,845
DP 689 - FTE Reduction										
08	(0.03)	0	0	0	0	(0.03)	0	0	0	0
DP 693 - Statewide Travel Reduction										
08	0.00	(15,066)	0	0	(15,066)	0.00	(15,066)	0	0	(15,066)
Total	2.97	(\$58,155,929)	(\$23,210)	(\$817,859)	(\$58,996,998)	2.97	(\$58,367,890)	(\$23,268)	(\$817,859)	(\$59,209,017)

New Proposals

DP 22 - Allocation for Effects of Program 06 in HB 2 - The legislature approved an executive request to move the Customer Service Center from proprietary funding to funding in HB 2. As such, the legislature removed the funding associated with payments from this program to the Customer Service Center for services the center performed for this program. The Customer Service Center will provide the same services for the program, but with a direct appropriation instead of with funding from fee revenue.

DP 30 - Reduce Participation in External Organizations - The legislature reduced funding for the department to participate in external organizations.

DP 31 - Salary Upgrades for Auditors - The legislature provided funding for salary upgrades for auditors in the department. The funding was added to address a recruitment difficulty the department has been facing when attempting to hire auditors at salaries below the competitive level for college graduates. The legislature designated this funding as a biennial appropriation.

DP 124 - HB 124 - Local Government Assistance Reduction - The legislature reduced funding for local assistance to implement HB 124. HB 124 provides entitlement payments to local governments as a statutory appropriation. Therefore, the HB 2 local assistance authority was reduced.

DP 512 - SB 512 Electrical Energy Excess Revenue Tax - The legislature provided funding to add 3.00 FTE for auditors and operating costs to administer SB 512. SB 512 imposes an electrical energy excess revenue tax. The legislature

restricted all funding for this purpose. Of this funding, \$6,000 of the funding is designated as a one-time-only appropriation. The one time portion of the appropriation is designated for purchasing personal computers. Subsequent to funding the impacts of SB 512 in HB 2, the legislature failed to pass SB 512. As such, HB 2 line items 5b and 5c for the Compliance, Valuation, and Resolution Program are not valid appropriations.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

DP 693 - Statewide Travel Reduction - The legislature made a reduction in general fund each year equivalent to 3 percent of all general fund expenditures for travel in the fiscal 2000 budget base. The entire reduction was made to this division, with the allowance that the agency could reallocate this reduction among divisions when developing 2003 biennium operating plans.

Language

Items [Compliance, Valuation, and Resolution - SB 512 line items] are contingent upon passage and approval of SB 512.

Note: SB 512 did not pass out of the legislature, so the appropriations in the SB 512 line items of HB 2 are void.

Item [Compliance Valuation and Resolution] includes reductions of general fund of \$15,066 in fiscal 2002 and \$15,066 in fiscal 2003. This reduction is the equivalent of a 3 percent reduction in fiscal year 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item [Compliance, Valuation, and Resolution] includes reductions of general fund of \$54,934,392 in fiscal 2002 and \$54,934,392 in fiscal 2003 that are contingent upon passage and approval of HB 124.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	81.78	0.50	62.91	145.19	0.50	63.41	145.69	145.69
Personal Services	3,219,035	225,496	2,582,996	6,027,527	245,133	2,613,630	6,077,798	12,105,325
Operating Expenses	1,767,512	418,481	7,140,574	9,326,567	(426,748)	7,358,941	8,699,705	18,026,272
Equipment	6,074	0	361,600	367,674	0	17,700	23,774	391,448
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	42,990	0	0	42,990	0	0	42,990	85,980
Transfers	0	933,055	0	933,055	933,055	0	933,055	1,866,110
Debt Service	32,050	0	1,145,578	1,177,628	0	1,145,577	1,177,627	2,355,255
Total Costs	\$5,067,661	\$1,577,032	\$11,230,748	\$17,875,441	\$751,440	\$11,135,848	\$16,954,949	\$34,830,390
General Fund	3,955,998	(278,357)	697,859	4,375,500	(313,299)	625,483	4,268,182	8,643,682
State/Other Special	1,041,985	129,223	1,562,389	2,733,597	138,404	1,565,318	2,745,707	5,479,304
Federal Special	28,670	793,066	42,579	864,315	(6,936)	40,717	62,451	926,766
Capital Projects	0	933,055	0	933,055	933,055	0	933,055	1,866,110
Proprietary	41,008	45	8,927,921	8,968,974	216	8,904,330	8,945,554	17,914,528
Total Funds	\$5,067,661	\$1,577,032	\$11,230,748	\$17,875,441	\$751,440	\$11,135,848	\$16,954,949	\$34,830,390

Agency Description

The Department of Administration provides central services for state agencies in the following areas:

- Accounting and financial reporting (Accounting and Management Support Program)
- Warrant writing (Accounting and Management Support Program)
- Technical assistance and training to local government accounting and financial personnel (Accounting and Management Support Program)
- Audit review and enforcement for local governments (Accounting and Management Support Program)
- Consumer affairs (Accounting and Management Support Program)
- State bonded indebtedness administration (Accounting and Management Support Program)
- State treasury services (Accounting and Management Support Programs)
- Capitol complex building maintenance and security (General Services Program)
- State financial institution oversight and regulation (Banking and Financial Division)
- Montana State Lottery
- Insurance coverage and Tort Claims Act administration (Risk Management and Tort Defense Program)
- Information systems development, telecommunications, and data processing (Information Systems Division)
- Personnel management and labor relations (State Personnel Division)
- Purchasing and surplus property administration (Procurement and Printing Division)
- Duplicating, mail, and messenger services (Procurement and Printing Division)

The department also administers the state Long Range Building Program and state employee group benefits program. In addition, the Board of Examiners, the State Tax Appeal Board, the Appellate Defender, the Public Employees' Retirement Board, and the Teachers' Retirement Board are attached to the department for administrative purposes only.

The main table above includes only a portion of the department's total funding. Several functions are funded with proprietary funds that do not require an appropriation. These proprietary functions are discussed in the proprietary program narratives.

Summary of Legislative Action

The HB 2 legislative budget shows an increase of 63.91 FTE and total budget increase of nearly \$24.7 million over the base for the two years of the biennium (\$34.8 million over the 2001 biennium budget of \$10.4 million). The most significant factor behind the apparently large increase can be attributed to passage of SB 445, which transferred the functions and funding of four divisions from the Department of Commerce to the department. SB 445 moved 67.5 FTE

and \$22.5 million total budget authority to the department (\$1.5 million general fund). SB 445 accounts for 91 percent of the budget growth for the department. Table 1 shows the fiscal impacts of SB 445 for the department. Another factor that contributed an additional nearly 8 percent to the growth is legislative approval of \$1.9 million capitol land grant funds to offset rent payments on the capitol complex. The remaining growth can be attributed to statewide present law adjustments such as inflation, fixed costs, and personal services adjustments to bring authorized positions to funding levels authorized by the 1999 legislature.

Table 1
Senate Bill 445
2003 Biennium Impacts on Department of Administration

Program	FTE	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total 2003 Biennium
Accounting and Management Support (03)						
Local Government Services (HB 2)	6.5	\$ 873,950	\$ -	\$ -	\$ -	\$ 873,950
Local Government Services (non-budgeted proprietary)	4.0	-	-	-	701,509	\$ 701,509
Office of Consumer Affairs	5.3	645,073	149,008	-	-	\$ 794,081
New Program (14)						
Banking and Financial Institutions	24.3	-	2,978,699	-	-	\$ 2,978,699
New Program (15)						
Montana State Lottery	31.5	-	-	-	17,832,251	\$17,832,251
Total (budgeted and non-budgeted)	71.5	\$1,519,023	\$ 3,127,707	\$ -	\$18,533,760	\$23,180,490
Total budgeted funds	67.5	\$1,519,023	\$ 3,127,707	\$ -	\$17,832,251	\$22,478,981

Other Legislation

Senate Bill 138 - SB 138 revised the laws pertaining to local government accounting, budgeting, and financial matters. The bill adds responsibility to the department to provide additional guidance to local governments. As a result, the executive projected an additional 0.5 FTE would be needed in fiscal 2003, with a corresponding increase in general fund expenditures of \$28,446. The legislature provided funding for 0.5 FTE beginning in fiscal 2003 to implement SB 138.

Senate Bill 445 - SB 445 reorganized the Department of Commerce and reassigned certain functions to other entities. Four programs formerly of the Department of Commerce - Local Government Services Division, Consumer Affairs Office, Banking and Financial Institutions Division, and Montana State Lottery - were transferred to the Department of Administration. SB 445 resulted in moving 71.5 FTE to the Department of Administration, of which 4.0 FTE are associated with non-budgeted proprietary funded functions. The bill also moved roughly \$22.5 million total budgeted funds to the department. Of the budgeted funds, \$1.5 million is general fund, \$3.1 million is state special revenue, and \$17.8 million is proprietary funds. In addition, \$701,509 non-budgeted proprietary funds were moved to the department.

House Bill 47 - HB 47 revised the laws pertaining to state investments. The bill eliminated the requirement for bank examiners to examine loans and investments maintained by the Board of Investments. Therefore, the Banking and Financial Institutions Division will not need to charge the Board of Investments for audits. The projected impact is a reduction of \$4,200 state special revenue for the biennium. The legislature did not adjust the budget for this impact.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg – Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg – Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	81.78	83.78	145.19	61.41	83.78	145.69	61.91	
Personal Services	3,219,035	3,549,178	6,027,527	2,478,349	3,569,360	6,077,798	2,508,438	4,986,787
Operating Expenses	1,767,512	3,284,586	9,326,567	6,041,981	2,297,949	8,699,705	6,401,756	12,443,737
Equipment	6,074	6,074	367,674	361,600	6,074	23,774	17,700	379,300
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	42,990	42,990	42,990	0	42,990	42,990	0	0
Transfers	0	0	933,055	933,055	0	933,055	933,055	1,866,110
Debt Service	32,050	32,050	1,177,628	1,145,578	32,050	1,177,627	1,145,577	2,291,155
Total Costs	\$5,067,661	\$6,914,878	\$17,875,441	\$10,960,563	\$5,948,423	\$16,954,949	\$11,006,526	\$21,967,089
General Fund	3,955,998	3,902,999	4,375,500	472,501	3,729,056	4,268,182	539,126	1,011,627
State/Other Special	1,041,985	1,173,456	2,733,597	1,560,141	1,182,637	2,745,707	1,563,070	3,123,211
Federal Special	28,670	864,315	864,315	0	62,451	62,451	0	0
Capital Projects	0	933,055	933,055	0	933,055	933,055	0	0
Proprietary	41,008	41,053	8,968,974	8,927,921	41,224	8,945,554	8,904,330	17,832,251
Total Funds	\$5,067,661	\$6,914,878	\$17,875,441	\$10,960,563	\$5,948,423	\$16,954,949	\$11,006,526	\$21,967,089

Executive Budget Comparison

The legislative budget reflects a net increase over the Executive Budget of nearly \$22 million for the 2003 biennium. Increases of nearly \$18 million proprietary funds account for the majority of the difference, with a \$3.1 million state special revenue increase and a \$1.0 million general fund increase making up the remaining difference. The major factors for the difference are: 1) SB 445 movement of four divisions of the Department of Commerce to the department (nearly \$22.5 million total fund increase); 2) the movement of the Personnel Unit in the Accounting and Management Support Program from general fund to non-budgeted proprietary funding (\$129,130 reduction); 2) reduction of a new proposal associated with an accounting standard change (\$40,000 reduction); 3) elimination of funding for the Public Safety Communications Program (\$62,677 reduction); 4) deferral of maintenance on the old Governor's mansion carriage house (\$22,190 reduction); 5) additional vacancy savings in two programs (\$116,897 reduction); and 6) statewide general fund travel reduction (\$8,244).

Language

Item [Accounting and Management Support Program] includes a reduction in general fund of \$4,122 in fiscal 2002 and \$4,122 in fiscal 2003. This reduction is the equivalent of an 8 percent reduction in fiscal 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item [State Personnel Division] includes a reduction of \$21,490 general fund in fiscal 2002 and \$21,564 general fund in fiscal 2003. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	20.42	0.50	10.50	31.42	0.50	11.00	31.92	31.92
Personal Services	894,623	54,658	439,949	1,389,230	60,398	458,863	1,413,884	2,803,114
Operating Expenses	245,883	25,658	454,773	726,314	(27,654)	361,887	580,116	1,306,430
Equipment	0	0	0	0	0	0	0	0
Local Assistance	40,231	0	0	40,231	0	0	40,231	80,462
Total Costs	\$1,180,737	\$80,316	\$894,722	\$2,155,775	\$32,744	\$820,750	\$2,034,231	\$4,190,006
General Fund	1,108,502	84,705	777,638	1,970,845	36,964	705,530	1,850,996	3,821,841
State/Other Special	2,557	2,500	74,505	79,562	2,500	74,503	79,560	159,122
Federal Special	28,670	(6,934)	42,579	64,315	(6,936)	40,717	62,451	126,766
Proprietary	41,008	45	0	41,053	216	0	41,224	82,277
Total Funds	\$1,180,737	\$80,316	\$894,722	\$2,155,775	\$32,744	\$820,750	\$2,034,231	\$4,190,006

Program Description

The Accounting and Management Support Program consists of several units. The Director's Office is responsible for overall supervision and coordination of agency programs and administratively attached boards and agencies. The Legal Unit provides legal services to agency and administratively attached boards and agencies. The Accounting Bureau is the process owner of the financial portion of the Statewide Budgeting, Accounting, and Human Resource System (SABHRS), establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act, processes warrants for all state agencies, and prepares the state Comprehensive Annual Financial Report (CAFR). The Management Support Bureau and Personnel function provide financial, budgeting, accounting, personnel, payroll, and data processing functions for the department.

The program also includes the Local Government Services functions and Consumer Affairs Office, which were transferred to the department by the 2001 legislature as part of a reorganization of the Department of Commerce. The Local Government Services: 1) provides technical assistance and training to local government accounting and financial personnel in the areas of local government finance, accounting, budgeting and financial reporting through on-site visits, telephone assistance, and local government training seminars; and 2) is responsible for defining, reviewing, and enforcing auditing requirements for Montana's local governments. Local Government Services staff reviews all of the jurisdictions' annual financial reports and certifies compliance of local governments with the state Single Audit Act.

The Consumer Affairs Office advocates on the behalf of Montana consumers in matters of unfair or deceptive acts in the conduct of any business. The office investigates consumer complaints and provides an informal mediation process for consumer complaints against businesses. The office enforces Montana consumer protection laws and regulations relating to telemarketing, personal solicitation of sales, the New Motor Vehicle Warranty, Consumer Protection, and Unfair Trade Practices acts.

Funding

The Director's Office and the Accounting and Management Support Bureau are funded with general fund. The legal, warrant writing, data processing support, and personnel functions are funded with proprietary funds, which derive revenue from allocation of costs to programs and administratively attached agencies and boards. The proprietary funded portions of the division are not included in the budget table. The Treasury Unit of the Management Support Bureau receives minor funding from the Board of Investments proprietary account. The cost of the general services of the financial advisor is funded with state special revenue from fees charged for state-administered bond issues. The U.S. Treasury Department reimburses the state for the cost of complying with the federal Cash Management Improvement Act.

The Local Government Services functions that provide technical assistance and training to local governments on accounting and budgeting are funded with general fund. The audit related functions of Local Government Services are funded from enterprise type proprietary funds, and are not listed in the funding tables.

The Consumer Affairs Office is funded from the general fund and state special revenue funds derived from court settlements received as a result of litigation of consumer law violations. This revenue will fluctuate depending upon the number and size of settlements. Such settlements are generally restricted by the courts to the promotion of greater consumer awareness.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					68,123					74,013
Vacancy Savings					(26,529)					(26,704)
Inflation/Deflation					(5,769)					(5,549)
Fixed Costs					34,720					(16,335)
Total Statewide Present Law Adjustments					\$70,545	\$25,425				
DP 4 - Miscellaneous Operating Increases for Accounting	0.50	25,258	0	0	25,258	0.50	25,343	0	0	25,343
DP 6 - Financial Advisor Fees adjustment	0.00	0	2,500	0	2,500	0.00	0	2,500	0	2,500
DP 10 - Policemen's Retirement Fund Actuarial Review	0.00	2,450	0	0	2,450	0.00	0	0	0	0
DP 696 - Data Network Fixed Cost Reduction	0.00	(270)	0	0	(270)	0.00	(270)	0	0	(270)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(7,791)	0	0	(7,973)*	0.00	(7,817)	0	0	(8,000)*
DP 699 - Vacancy Savings at 4 Percent	0.00	(11,741)	0	(453)	(12,194)	0.00	(11,799)	0	(455)	(12,254)
Total Other Present Law Adjustments										
	0.50	\$7,906	\$2,500	(\$453)	\$9,771*	0.50	\$5,457	\$2,500	(\$455)	\$7,319*
Grand Total All Present Law Adjustments					\$80,316*	\$32,744*				

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 4 - Miscellaneous Operating Increases for Accounting - The legislature approved funding to add 0.5 FTE grade 16 accountant to address workload issues associated with the recent release of Governmental Accounting Standards Board (GASB) Statement 34, which makes major changes in governmental financial reporting standards.

DP 6 - Financial Advisor Fees adjustment - The legislature approved increased funding for the Capital Finance Advisory Council to hold two meetings each year.

DP 10 - Policemen's Retirement Fund Actuarial Review - The legislature approved increased funding for the biennial actuarial review of the policemen's retirement fund. The legislature designated this as a biennial appropriation and restricted it to be used only to pay costs for the actuarial review of the policemen's retirement fund.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capitol Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals -----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 2 - Accounting Bureau Contracted Services										
03	0.00	100,000	0	0	100,000	0.00	0	0	0	0
DP 3 - Accounting CMIA FTE										
03	1.00	0	0	42,579	42,579	1.00	0	0	40,717	40,717
DP 30 - Move Personnel Unit to Proprietary Funding										
03	(1.75)	(64,565)	0	0	(64,565)	(1.75)	(64,565)	0	0	(64,565)
DP 31 - SB 138 - Special Purpose District Reports FTE										
03	0.00	0	0	0	0	0.50	28,446	0	0	28,446
DP 445 - SB 445 - Commerce Department Reorganization										
03	11.25	746,325	74,505	0	820,830	11.25	745,771	74,503	0	820,274
DP 693 - Statewide Travel Reduction										
03	0.00	(4,122)	0	0	(4,122)	0.00	(4,122)	0	0	(4,122)
Total	10.50	\$777,638	\$74,505	\$42,579	\$894,722	11.00	\$705,530	\$74,503	\$40,717	\$820,750

New Proposals

DP 2 - Accounting Bureau Contracted Services - The legislature approved funding for contracted services to assist in implementing changes to financial reporting standards made by GASB. Funding for this function was designated as a one-time-only and biennial appropriation.

DP 3 - Accounting CMIA FTE - The legislature approved funding to add 1.0 FTE grade 14, management analyst and miscellaneous office expenses to provide agencies receiving \$4.0 million or more in federal funds with assistance on complying with the federal Cash Management Improvement Act (CMIA).

DP 30 - Move Personnel Unit to Proprietary Funding - The legislature approved moving the functions of the department's personnel unit to a proprietary funded function.

DP 31 - SB 138 - Special Purpose District Reports FTE - The legislature provided funding to add a 0.5 FTE grade 12 position during fiscal 2003 to implement special purpose district reports required when SB 138 was passed by the legislature.

DP 445 - SB 445 - Commerce Department Reorganization - The legislature passed SB 445, which moved portions of the Department of Commerce to the Department of Administration. Funding associated with the Local Government Services Division and the Office of Consumer Affairs previously performed by the Department of Commerce was moved to the Accounting and Management Support Program. When these two functions were moved, the net effect of their base budgets and all adjustments made by the legislature was moved as well. In summary, the legislature had made the following adjustments to the budgets for the Local Government Services Division and the Office of Consumer Affairs (amounts are for the biennium unless otherwise noted):

Local Government Services Division – From a fiscal 2000 funding base of \$400,729 general fund, the legislature provided:

- A general fund increase of \$10,984 to accommodate increased rent costs resulting from the division's move into the Federal Building
- A general fund increase of \$32,013 for administrative cost increases, including travel-related costs and indirect costs
- A general fund reduction of \$108 to adjust for lower data network support fees and charges approved by the legislature
- A general fund reduction of \$6,698 to increase the statewide vacancy savings rate to 4 percent and include the state share of health insurance premiums in the calculation for determining the amount

Consumer Affairs – From a fiscal 2000 funding base of \$267,953 (\$243,246 general fund), the legislature provided:

- A general fund increase of \$52,971 and a state special revenue increase of \$7,430 for administrative cost increases such as: 1) updates to the consumer reference law library/Lexis Legal Database access (\$2,015 per year); 2) administrative hearings (\$8,000 per year); 3) communications/TV advertising increase (\$4,000 per year); 4) travel for education and legal work (\$6,000 per year); 5) education and training costs for investigative and legal staff (\$1,500 per year); and 6) indirect costs (\$6,000 per year)
- A general fund reduction of \$192 to adjust for lower data network support fees and charges approved by the legislature
- A general fund reduction of \$3,017 and state special revenue reduction of \$322 due to the use of Capitol Land Grant funds to augment rent payments made by tenants
- A general fund reduction of \$5,346 to increase the statewide vacancy savings rate to 4 percent and include the state share of health insurance premiums in the calculation for determining the amount
- A state special revenue increase of \$114,552 to accommodate expenditures resulting from the anticipated receipt of up to \$75,000 in class action settlements during each year of the biennium
- A general fund increase of \$50,000 and a corresponding \$50,000 state special revenue reduction to replace state special revenue funding in anticipation of the inability to collect all civil fines levied against telemarketers (The legislature designated this as a restricted and one-time-only appropriation, and included language directing the department to seek and use state special revenue from consumer affairs legal settlements to offset and minimize the use of general fund.)
- A general fund increase of \$62,708 and a corresponding \$62,708 state special revenue reduction for a funding switch due to the loss of the Lemon Law program's state special revenue funding source (The legislature designated this as a restricted and one-time-only appropriation, and included language directing the department to seek and use state special revenue from consumer affairs legal settlements to offset and minimize the use of general fund.)

The narrative for the Department of Commerce shows all base expenditures and adjustments made by the legislature prior to the enactment of SB 445 for historical purposes.

DP 693 - Statewide Travel Reduction - The legislature made a reduction in general fund each year equivalent to 8 percent of all general fund expenditures for travel in the fiscal 2000 budget base. The entire reduction was made to this division, with the allowance that the agency could reallocate this reduction among divisions when developing 2003 biennium operating plans.

Language

Item [Accounting and Management Support Program] includes a reduction in general fund of \$4,122 in fiscal 2002 and \$4,122 in fiscal 2003. This reduction is the equivalent of an 8 percent reduction in fiscal 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

The department is appropriated up to \$56,354 in state special revenue authority in each year of the biennium for operations within the Telemarketing and Lemon Law programs and shall seek and use state special revenue received from consumer affairs' settlements as authorized by a district court order to offset and minimize use of the general fund within the Telemarketing and Lemon Law programs, as provided in 17-2-108.

Proprietary Rates

Legal Services Unit (Fund 06504)

Program Description

The Legal Unit of the Director's Office advises all divisions within the department on legal matters. The unit receives the majority of its funding through the Legal Services internal service fund by charging the non-general fund divisions for services provided.

Revenues and Expenses

The Legal Services Unit devotes 1.33 FTE of their 2.0 FTE to the legal matters of non-general fund divisions and administratively attached agencies and boards. The allocation is based on a previous time study and experience during the 2001 biennium. The projected personal services and associated operating costs of the 1.33 FTE are allocated to the non-general funded entities based on the number of cases and time involvement in the cases. The Legal Services Unit bills on a semi-annual basis (in July and January), so the unit charges enough to generate a minimal cash reserve. The costs of the remaining 0.67 FTE are paid by the general fund and are included in the main budget tables.

Rate Explanation

The legislature approved rates for the Legal Services Unit as the percentage share of total revenue each program or division will pay. The rates approved by the legislature are:

	<u>Share (percent) of Total Revenues</u>	
	Fiscal 2002	Fiscal 2003
Teachers' Retirement	20%	20%
Employee Benefits Program	26%	26%
Risk Management and Tort Defense	2%	2%
General Services Division	7%	7%
Architecture and Engineering	18%	18%
Information Services Division	27%	27%

Significant Present Law Adjustments

PL 5 - Network Support Unit Rates for Legal Unit - By approving the rates for the Legal Services Unit the legislature concurred with increased funding to pay the higher indirect costs allocated by the Network Support Unit for maintenance support of unit computers and printers.

Network Support Unit (Fund 06560)

Program Description

The Network Support Unit administers all data processing functions of the department except those of the Information Services Division. The unit provides network support services, including installing software and hardware, responding to computer problems, and answering software questions. The unit also provides computer-programming services.

Revenues and Expenses

The unit anticipates revenues of \$165,149 in fiscal 2002 and \$168,482 in fiscal 2003. These amounts are increases of 40 percent and 43 percent over base year revenue. The unit anticipates expenses of \$159,090 in fiscal 2002 and \$159,899 in fiscal 2003. These amounts are increases of 42 percent and 43 percent over base year expenses and are mainly due to increases in salaries for information technology employees, increased data network costs, and increased programming needs.

Rate Explanation

The legislature approved rates of \$714 per computer in fiscal 2002 and \$732 per computer in fiscal 2003 for computer

support. For server support, the legislature approved rates of \$1,072 in fiscal 2002 and \$1,098 in fiscal 2003. The legislature also approved a 60-day working capital reserve rate for computer programming support.

Warrant Writer Program (Fund 06564)

Program Description

The Warrant Writer Program provides check writing and automatic-deposit capabilities for financial transactions to most state agencies. The program produces and processes warrants and tracks them on the warrant writer system. The program generates, mails, tracks, and cashes each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing.

The system handles about 2 million payment transactions per year. Payment transactions include warrant writing and electronic transfers for vendor payments, retirement payments for public employees and teachers, payroll, workers' compensation, income tax refunds, special refunds, and public assistance benefit payments. In addition, the program maintains a central payee file to facilitate payment processing. The program also consolidates 1099-MISC information for the Internal Revenue Service (IRS). The program coordinates compliance with IRS rules governing 1099 MISC-filings and error reports.

Revenues and Expenditures

The program uses historical data to forecast the following categories of payments: mailer warrants, non-mailer warrants, emergency warrants, duplicate warrants, external warrants, and electronic fund transfers. The program forecasts revenues of \$831,766 in fiscal 2002 and \$845,138 in fiscal 2003. These are increases of 14 percent and 16 percent from base year revenues. The program forecasts expenses of \$807,975 in fiscal 2002 and \$824,609 in fiscal 2003. These amounts are increases of 5 percent and 6 percent, respectively, from base year expenses. The increases in revenues and expenditures are because of a projected increase in postage and warrant stock.

Rate Explanation

The legislature approved the following rates for the Warrant Writer Program for the 2003 biennium:

	Fiscal 2002	Fiscal 2003
Mailer warrants	\$0.6170	\$0.6145
Nonmailer warrants	0.2080	0.2055
Emergency warrants	4.1329	4.1320
Duplicate warrants	5.6632	5.6624
Direct deposits	0.1671	0.1660
Externals - printed from an outside system	0.1850	0.1825

Significant Present Law Adjustments

PL5 - Network Support Unit Rates for Legal Unit/War Wtr - By approving the rates for the Warrant Writer Unit the legislature concurred with increased funding to provide an increase to the network support allocation to the Warrant Writer Unit for maintenance support of unit computers and printers.

Personnel Unit (Fund 06570)

Program Description

The Personnel Unit provides financial, budgeting, accounting, personnel, payroll, and data processing functions for the department and certain administratively attached boards and agencies. The Personnel Unit was moved by the legislature, during the joint appropriations subcommittee phase, from the HB 2-funded environment to be funded with proprietary funds.

Revenues and Expenditures

The Personnel Unit predicts revenues of \$88,262 in fiscal 2002 and \$92,691 in fiscal 2003. Since the unit was previously funded with a general fund appropriation, there is no comparative data for determining revenue growth for the unit. The unit predicts expenditures of \$64,565 for each year of the 2003 biennium.

Rate Explanation

The legislature approved a total allocation of costs as the rate for the Personnel Unit and specified that the costs were to be allocated based on FTE being served by the unit in each division or administratively attached unit. For the 2003 biennium the total allocations authorized by the legislature are \$88,262 in fiscal 2002 and \$92,691 in fiscal 2003.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	17.50	0.00	(0.50)	17.00	0.00	(0.50)	17.00	17.00
Personal Services	761,997	78,193	0	840,190	83,145	0	845,142	1,685,332
Operating Expenses	272,835	26,526	0	299,361	29,955	0	302,790	602,151
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,034,832	\$104,719	\$0	\$1,139,551	\$113,100	\$0	\$1,147,932	\$2,287,483
State/Other Special	1,034,832	104,719	0	1,139,551	113,100	0	1,147,932	2,287,483
Capital Projects	0	0	0	0	0	0	0	0
Total Funds	\$1,034,832	\$104,719	\$0	\$1,139,551	\$113,100	\$0	\$1,147,932	\$2,287,483

Program Description

The Architecture and Engineering Division (A&E) manages remodeling and construction of state buildings. The division plans new and remodeling projects; advertises, bids, and awards construction contracts; administers contracts with architects, engineers, and contractors; disburses building construction payments; and provides design services for small projects. The division also formulates a long-range building plan for legislative consideration each session.

Funding

The Architecture and Engineering Division is funded with funds transferred from the long-range building capital projects fund to a state special revenue account established for administrative expenditures.

Present Law Adjustments											
-----Fiscal 2002-----						-----Fiscal 2003-----					
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services					113,201					118,360	
Vacancy Savings					(24,344)					(24,499)	
Inflation/Deflation					3,668					6,088	
Fixed Costs					16,197					17,155	
Total Statewide Present Law Adjustments					\$108,722						\$117,104
DP 1 - Miscellaneous Operating Costs - DOA	0.00	0	13,277	0	13,277	0.00	0	13,341	0	13,341	
DP 696 - Data Network Fixed Cost Reduction	0.00	0	(248)	0	(248)	0.00	0	(248)	0	(248)	
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	0	(6,368)	0	(6,368)	0.00	0	(6,381)	0	(6,381)	
DP 699 - Vacancy Savings at 4 Percent	0.00	0	(10,664)	0	(10,664)	0.00	0	(10,716)	0	(10,716)	
Total Other Present Law Adjustments											
	0.00	\$0	(\$4,003)	\$0	(\$4,003)	0.00	\$0	(\$4,004)	\$0	(\$4,004)	
Grand Total All Present Law Adjustments					\$104,719						\$113,100

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Miscellaneous Operating Costs - DOA - The legislature approved funding for increases in department indirect/administrative costs for services received from the proprietary funded Legal Services Unit and Network Support Unit.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	-----Fiscal 2002-----				-----Fiscal 2003-----				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 689 - FTE Reduction 04	(0.50)	0	0	0	0	(0.50)	0	0	0	0
Total	(0.50)	\$0	\$0	\$0	\$0	(0.50)	\$0	\$0	\$0	\$0

New Proposals

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	10.36	0.00	0.00	10.36	0.00	0.00	10.36	10.36
Personal Services	407,827	4,779	0	412,606	6,576	0	414,403	827,009
Operating Expenses	94,623	2,644	0	97,267	3,726	0	98,349	195,616
Equipment	6,074	0	0	6,074	0	0	6,074	12,148
Total Costs	\$508,524	\$7,423	\$0	\$515,947	\$10,302	\$0	\$518,826	\$1,034,773
General Fund	508,524	7,423	0	515,947	10,302	0	518,826	1,034,773
Total Funds	\$508,524	\$7,423	\$0	\$515,947	\$10,302	\$0	\$518,826	\$1,034,773

Program Description

The Procurement and Printing Division is divided into four separate functions, as follows: 1) Publications and Graphics Bureau; 2) Property and Supply Bureau; 3) State Procurement Bureau; and 4) vehicle fueling, energy procurement, and state procurement card.

The Publications and Graphics Bureau provides printing, duplicating, desktop publishing, layout and design, graphic and illustrative art, forms design, photo-reprographics, binding and quick copy, and photocopier pool services for state agencies.

The Property and Supply Bureau purchases, stocks, and sells office supplies, paper, janitorial supplies, and packaged computer software to state agencies and administers the sale of state and federal surplus property.

The State Procurement Bureau manages centralized purchasing for state agencies by investigating possible sources for products, determining alternate product possibilities, preparing specifications, enforcing the terms and conditions outlined in purchase orders, and providing technical assistance to state agencies regarding purchasing laws.

The vehicle fueling, energy procurement, and state procurement card functions administer contracts for the statewide fueling network, the deregulated purchase of electricity and natural gas, and the state's MasterCard contract for the automated processing of small purchases.

Funding

The division is funded with general fund and proprietary funds. The Publications and Graphics Bureau is funded with proprietary funds derived through payments for services provided to other state agencies. The Property and Supply Bureau is funded with proprietary funds derived through payments for goods and services provided to local governments and other state agencies. The State Procurement Bureau is funded from the general fund. The vehicle fueling, energy procurement and State Procurement Card functions are funded with proprietary funds derived through markups on the cost of fuel and natural gas purchased for resale to state institutions and university system units.

Since only the State Procurement Bureau is funded with general fund, the amounts in the main budget table pertain only to that bureau.

Present Law Adjustments										
Fiscal 2002						Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services				21,971						23,843
Vacancy Savings				(11,794)						(11,850)
Inflation/Deflation				293						712
Fixed Costs				4,553						5,016
Total Statewide Present Law Adjustments				\$15,023						\$17,721
DP 4 - Procurement Other Fixed Costs										
0.00	1,667	0	0	1,667		0.00	1,880	0	0	1,880
DP 696 - Data Network Fixed Cost Reduction										
0.00	(183)	0	0	(183)		0.00	(183)	0	0	(183)
DP 698 - Rent Reduction - Use of Capitol Land Grant										
0.00	(3,686)	0	0	(3,686)		0.00	(3,699)	0	0	(3,699)
DP 699 - Vacancy Savings at 4 Percent										
0.00	(5,398)	0	0	(5,398)		0.00	(5,417)	0	0	(5,417)
Total Other Present Law Adjustments										
0.00	(\$7,600)	\$0	\$0	(\$7,600)		0.00	(\$7,419)	\$0	\$0	(\$7,419)
Grand Total All Present Law Adjustments				\$7,423						\$10,302

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 4 - Procurement Other Fixed Costs - The legislature approved funding for increases in department indirect/administrative costs for services received from the proprietary funded centralized service functions of the agency.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

Proprietary Rates

Publications and Graphics Account (Fund 06530)

Program Description

The Publications and Graphics Bureau prints; duplicates; provides photocopy pool copiers; provides typography; provides all aspects of graphic design and production, including layout and design, graphic and illustrative art, photo-reprographics, binding, and quick copy; and contracts certain printing functions to private printing vendors.

Revenues and Expenses

The program anticipates revenues of \$5.7 million in fiscal 2002 and \$6.1 million in fiscal 2003. These amounts are

increases of approximately 8 percent and 14 percent, respectively, over base year revenue. The program anticipates expenses of \$5.8 million in fiscal 2002 and \$6.2 million in fiscal 2003. These amounts are increases of approximately 8 percent and 16 percent, respectively, over base year expenses.

Rate Explanation

The legislature approved a rate for operation of the Publications and Graphic Bureau based on maintaining no more than a 60-day working capital reserve.

Significant Present Law Adjustments

DP 1 - Programmer: P&G - When the legislature approved the rates, it concurred with providing funding to add 0.34 FTE grade 15, programmer/analyst and associated operating expenses to provide dedicated programming and computer support.

DP 6 - P&G Present Law Adjustment - When the legislature approved the rates for the Publications and Graphics Program, it concurred with providing funding for overtime and increased operating expenses and equipment.

Central Stores Account (Fund 06531)**Program Description**

Central Stores purchases, warehouses, sells, and delivers commonly used items to all state agencies in the following categories: office supplies, coarse paper, fine paper, computer paper, janitorial supplies, printed forms, and software.

Revenues and Expenditures

The program anticipates revenues of \$4.7 million in fiscal 2002 and \$4.7 million in fiscal 2003. These amounts are increases of roughly 11 percent for each year of the 2003 biennium, over base year revenue. The program anticipates expenses of \$4.7 million in fiscal 2002 and \$4.6 million in fiscal 2003. These amounts are increases of approximately 5 percent per year over base year expenses.

Rate Explanation

The legislature approved a rate for the operation of the Central Stores based on maintaining no more than a 60-day working capital reserve.

Significant Present Law Adjustments

DP 7 - P&S Accountant 1.0 FTE - When the legislature approved the rates for the Property and Supply Program, it concurred with providing funding to add a 1.0 FTE grade 12 accountant to address workload increases. The additional staffing would assist with order entry, invoicing, accounts receivable, special projects, and would function as a backup for other accounting staff. The position would also assist in reconciling the bureau's subsystem to SABHRS.

DP 8 - P&S Equip, Goods for Resale, Indirect/Admin Costs - When the legislature approved the rates for the Property and Supply Program, it concurred with providing funding to replace personal computers, a network server, and printers that the program considers to be obsolete. Funding would also fund inflationary increases in the costs of goods purchased for resale and increases in department indirect/administrative costs for services received from the proprietary funded Legal Services Unit and Network Support Unit.

Natural Gas Procurement Account (Fund 06558)**Program Description**

The Natural Gas Transportation Program purchases natural gas and electricity competitively from outside suppliers for qualifying state agencies.

Revenues and Expenditures

The program anticipates revenues of \$104 per year in fiscal 2002 and fiscal 2003. These amounts are decreases of 74 percent over base year revenue. The program anticipates expenses of \$104 per year in fiscal 2002 and fiscal 2003. These amounts are decreases of approximately 77 percent over base year expenses.

Rate Explanation

The legislature approved a break-even working capital balance (no reserve) as the rate for the Natural Gas Procurement Program.

Statewide Fueling Network Account (Fund 06561)**Program Description**

The Purchasing Bureau Vehicle Fueling Program provides for fueling of public vehicles through an integrated commercial/public fueling network. The program automates the accounting and transaction processing functions associated with vehicle fueling, offers a system of security, maintains agency tax-exempt status for transactions anywhere on the network, and provides monthly comprehensive fuel management reports that fleet managers can use to track and control fuels costs.

Revenues and Expenditures

The program anticipates revenues of \$12,560 in fiscal 2002 and \$12,757 in fiscal 2003. These amounts are decreases of 22 percent and 21 percent from base year revenue. Revenues are derived from an administrative fee charged to users as a percent of fuel purchases. The legislature approves the level of the fee. The program anticipates expenses of \$16,742 in fiscal 2002 and \$17,005 in fiscal 2003. These amounts are increases of approximately 2.5 percent and 4.0 percent, respectively, over base year expenses.

Rate Explanation

The legislature approved a rate of 0.5 percent of gross purchases as the rate for the Statewide Fueling Network.

State Procurement Card Account (Fund 06571)**Program Description**

The State Procurement Card Program administers the State's MasterCard contract for the automated processing of small purchases.

Revenues and Expenditures

The program anticipates revenues of \$3,709 in each fiscal year of the 2003 biennium. These amounts are decreases of 50 percent from base year revenue. The program anticipates expenses of \$3,704 in each fiscal year of the 2003 biennium. The primary expense is for procurement card maintenance contracts. These amounts are nearly the same as the base year expenses.

Rate Explanation

The legislature approved a rate of \$1 per card per month as the rate for the State Procurement Card Program.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	97,055	(1,076)	0	95,979	(472)	0	96,583	192,562
Operating Expenses	501,057	331,351	0	832,408	(471,052)	0	30,005	862,413
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$598,112	\$330,275	\$0	\$928,387	(\$471,524)	\$0	\$126,588	\$1,054,975
General Fund	598,112	(469,725)	0	128,387	(471,524)	0	126,588	254,975
Federal Special	0	800,000	0	800,000	0	0	0	800,000
Total Funds	\$598,112	\$330,275	\$0	\$928,387	(\$471,524)	\$0	\$126,588	\$1,054,975

Program Description

The Information Services Division (ISD) manages central computer and telecommunications services for state government. Through its central computing services function, the division provides central mainframe computer processing services and network services for statewide data communications networks that access the central mainframe computer. The division plans and coordinates data processing for state agencies and reviews and approves equipment and software acquisitions. It designs and develops data processing applications and provides continuous maintenance support. The division also provides data processing training and support and consulting services for microcomputer and office automation systems. The division manages disaster recovery facilities for critical data processing applications.

The telecommunications function of the division provides local and long distance telephone network services and designs, develops telephone equipment network applications, and serves other telecommunications needs for state agencies. It also manages the statewide 911 emergency telephone services and coordinates use of radio frequencies with local governments.

The division also oversees Geographic Information Systems (GIS) development and the State Accounting, Budgeting, and Human Resources System (SABHRS).

Funding

Nearly all the operations of the Information Services Division are funded with proprietary funds. The program receives general fund to operate the Statewide 911 Emergency Telephone Service. Federal funds are used to maintain the Geographic Information Systems cadastral databases.

Fiscal 2002					Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Present Law Adjustments									
Personal Services				2,923					3,552
Vacancy Savings				(2,787)					(2,806)
Inflation/Deflation				674					1,073
Fixed Costs				2,176					1,374
Total Statewide Present Law Adjustments				\$2,986					\$3,193
DP 3 - PeopleSoft Maintenance - GF									
0.00	(476,314)	0	0	(476,314)	0.00	(476,314)	0	0	(476,314)
DP 16 - 911 GF Adjustments to base									
0.00	4,815	0	0	4,815	0.00	2,815	0	0	2,815
DP 17 - Statewide GIS Data Base - Federal									
0.00	0	0	800,000	800,000	0.00	0	0	0	0
DP 699 - Vacancy Savings at 4 Percent									
0.00	(1,212)	0	0	(1,212)	0.00	(1,218)	0	0	(1,218)
Total Other Present Law Adjustments									
0.00	(\$472,711)	\$0	\$800,000	\$327,289	0.00	(\$474,717)	\$0	\$0	(\$474,717)
Grand Total All Present Law Adjustments				\$330,275					(\$471,524)

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 3 - PeopleSoft Maintenance - GF - The legislature approved moving SABHRS operating system vendor maintenance costs from the general fund to proprietary funds supported by fees and charges imposed on system users.

DP 16 - 911 GF Adjustments to base - The legislature approved funding for increases in miscellaneous operating expenses such as supplies, communications, travel, maintenance, training, and dues.

DP 17 - Statewide GIS Database - Federal - The legislature approved funding to provide contracted services to continue to automate Montana's land parcel information on the statewide GIS Cadastral Database and to provide a program to train local governments in the use of the data.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

Language

For the data network rate, all increases over a rate of \$64.59 are one time only. The executive must use \$64.59 as the base level and justify all increases requested for the 2005 biennium over this level.

Proprietary Rates

Program Description

ISD receives proprietary funding to pay its costs of managing central computer services and telecommunications services for state government. Proprietary funds pay the expenses of the central computing services function along with the other information system management services the division provides. The division provides central mainframe computer processing services and network services for statewide data communications networks that access the central mainframe computer.

The division's telecommunications function receives proprietary funds to pay the costs of providing local and long distance telephone network services and the costs of designing and developing telephone equipment network applications.

The division also receives proprietary funds for a portion of the costs of the Montana Geographic Information Systems project and for most of the costs of the SABHRS program. SABHRS is housed in the division and is responsible for the operation and maintenance of the Montana Budget Analysis and Reporting System (MBARS) and the PeopleSoft human resource, financial, and asset management systems.

Revenues and Expenses

The division receives revenues from charges to agencies for agency use of the central computer and telecommunications systems of the state. Revenues are forecasted to be nearly \$31.4 million in fiscal 2002 and nearly \$31.1 million in fiscal 2003. These revenues are roughly 6 percent over the revenues received during the base year. The division uses these revenues to pay personal service and other operating costs associated with planning, administering, and operating the central computer and telecommunications systems of the state. Expenditures are forecasted to be nearly \$31.0 million in fiscal 2002 and just over \$31.1 million in fiscal 2003. These expenses are increases of nearly 12 percent for each year of the 2003 biennium.

Revenues relating to the internal service fund are mainly from four major revenue centers:

- Computing Technology Services Bureau (CTSB): revenues are generated from state mainframe and mid-tier processing rates and are based upon central processing unit (CPU) seconds or other per transaction rates and client server contracts. Local area network support is based upon an hourly service rate.
- Network Technology Services Bureau (NTSB) - Network Services Section: desktop services rates are charged on a monthly or yearly basis and are assessed for each workstation or installation.
- Network Technology Services Bureau (NTSB) - Voice Services Section: voice telecommunication rates are charged on equipment counts and on actual long distance usage.
- SABHRS Services Bureau: SABHRS support unit rates are based on fiscal 2000 actual FTE, with exceptions for the Benefits Bureau of the Department of Administration and the Montana University System. The Benefits Bureau and Montana University System are each assessed a negotiated amount.

Rate Explanation

The legislature approved the following rates for the Information Services Division:

- Data network fee: \$72.60 for each year of the 2003 biennium
- Statewide Accounting, Budgeting, and Human Resource System (SABHRS) allocation to agencies: \$4,168,460 in fiscal 2002 and \$4,211,734 in fiscal 2003
- All remaining operations of the division: 45-day working capital reserve

The legislature also intended that for the data network rate, all increases over a rate of \$64.59 are one time only. As such, the legislature intended that the executive must use \$64.59 as the base level for the data network rate and justify all increases requested for the 2005 biennium over this level.

Significant Present Law

DP 1 - Oracle Enterprise License Agreement (ELA) - When the legislature approved the fees and charges for the division, it concurred with providing funding for the Oracle Enterprise Licensing Agreement (ELA).

DP 2 - Wide Area Network and Internet Growth - When the legislature approved the fees and charges for the division, it concurred with providing funding for hardware, software and circuits for the state wide area data networks (SUMMITNET) and to install a second Internet connection to SUMMITNET, expand the current network, add additional bandwidth at existing sites, and support new applications to be developed for the delivery of services by state agencies.

DP 4 - PeopleSoft Maintenance - When the legislature approved the fees and charges for the division, it concurred with funding PeopleSoft maintenance with proprietary funds instead of the general fund.

DP 5 - SABHRS Finance & HRMS Upgrade Support - When the legislature approved the fees and charges for the division, it concurred with providing funding for the addition of 7.00 FTE and associated operation costs to support ongoing upgrades of the PeopleSoft software.

DP 6 - SABHRS Finance & HRMS Production Support - When the legislature approved the fees and charges for the division, it concurred with providing funding for the addition of 2.00 FTE and related costs for production support services for the Finance and Human Resource Management System (HRMS) Sections.

DP 7 - SABHRS Archival and Retrieval - When the legislature approved the fees and charges for the division, it concurred with providing funding for contracted services and computer software and hardware to develop and implement and archival plan for SABHRS.

DP 8 - SABHRS Consultant Services - When the legislature approved the fees and charges for the division, it concurred with providing funding for the SABHRS Support Bureau to contract with consulting groups when it is necessary to obtain specific expertise.

New Proposals

DP 2 - Electronic Government - When the legislature approved the fees and charges for the division it concurred with providing funding to add 1.00 FTE grade 16, information systems support specialist to provide oversight of the private vendor selected to develop and operate a state Internet electronic government portal and a statewide Intranet.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	309,360	52,999	0	362,359	60,029	0	369,389	731,748
Capital Outlay	0	0	0	0	0	0	0	0
Transfers	0	933,055	0	933,055	933,055	0	933,055	1,866,110
Debt Service	32,050	0	0	32,050	0	0	32,050	64,100
Total Costs	\$341,410	\$986,054	\$0	\$1,327,464	\$993,084	\$0	\$1,334,494	\$2,661,958
General Fund	341,410	52,999	0	394,409	60,029	0	401,439	795,848
Capital Projects	0	933,055	0	933,055	933,055	0	933,055	1,866,110
Total Funds	\$341,410	\$986,054	\$0	\$1,327,464	\$993,084	\$0	\$1,334,494	\$2,661,958

Program Description

The General Services Program manages repair, maintenance, and construction services for state agencies in the Capitol complex and several state-owned buildings in the Helena area. Services the program provides include locksmith, painting, remodeling, architectural, and construction. The program operates a recycling program in the Helena area. The program supervises contracts for mechanical maintenance, pest control, janitorial services, elevator repair/maintenance, security, major maintenance, and garbage collections for state-owned buildings and provides assistance to all state agencies to procure leased space. The program also provides professional and technical facility management assistance to agencies that are located within a ten-mile radius of the Capitol complex.

Funding

Funding for the General Services Program is primarily from proprietary funds not included in the HB 2 budget, which the program receives by charging rent to state agencies. Agencies pay rent on office and warehouse space in state buildings located mostly on the capitol complex.

The program is also funded by a general fund appropriation that is counted as a rent expense, although it is actually transferred as revenue into the general services proprietary account. The general fund support is to pay the costs of maintaining "common areas" such as office space for the Senate and House of Representatives, the Governor's mansion, public display areas in the Historical Society Museum, and some office space in the museum building. The common areas account for about 20 percent of the capitol complex office space. The legislature approved a request to supplement rent payments with \$1.87 million funding from the Capitol Land Grant Trust for the 2003 biennium.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Fixed Costs				64,094					71,124
Total Statewide Present Law Adjustments				\$64,094					\$71,124
DP 10 - Replace Rent Payments With Capitol Land Grant									
0.00	0	0	0	933,055*	0.00	0	0	0	933,055*
DP 30 - Deferred Maintenance									
0.00	(11,095)	0	0	(11,095)	0.00	(11,095)	0	0	(11,095)
Total Other Present Law Adjustments									
0.00	(\$11,095)	\$0	\$0	\$921,960*	0.00	(\$11,095)	\$0	\$0	\$921,960*
Grand Total All Present Law Adjustments				\$986,054*					\$993,084*

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 10 - Replace Rent Payments With Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 30 - Deferred Maintenance - The legislature reduced funding to defer maintenance for the carriage house at the original Governor's mansion.

Proprietary Rates

Program Description

General Services Program (Fund 06528)

The General Services Program manages repair, maintenance, and construction services for state agencies in the Capitol complex and several state-owned buildings in the Helena area. General services also manages a recycle program in the Helena area for office waste paper products and provides professional and technical facility management assistance to agencies that are located within a ten-mile radius of the Capitol complex.

Revenues and Expenses

The program is forecasting revenues of \$5.8 million in fiscal 2002 and \$5.9 million in fiscal 2003. These are increases of 13 percent and 15 percent over base year revenues. The program forecasts expenses of \$5.8 million in fiscal 2002 and \$5.8 million in fiscal 2003. These are increases of 6 percent and 7 percent over the base year. Increases are directly related to the addition of 2.5 FTE and inflationary growth in contracted services and utility costs.

The program states that it tries to maintain a working capital reserve of between 60 and 65 days in the rent and maintenance account to accommodate its billing cycle and to build the reserve for heavy contract payments that occur during the spring and summer months.

Rate Explanation

The legislature approved the following rental rates for the rent costs to agencies occupying space in the buildings controlled by the Department of Administration:

- Office space rent of \$4.77 per square foot per month in fiscal 2002 and \$4.88 per square foot per month in fiscal 2003
- Warehouse space rent of \$2.12 per square foot per month in fiscal years 2002 and 2003

Significant Present Law

DP 4 - Add'l 0.25 FTE Janitorial Oversight & Recycling - When the legislature approved the rental rates for the program, it concurred with providing funding to add 0.25 FTE grade 12, program specialist to bring a janitorial oversight and recycling coordinator to 1.0 FTE.

DP 5 - Other Services - When the legislature approved the rental rates for the program, it concurred with providing funding for cost increases in the following areas: 1) janitorial contracts; 2) caretaker services; 3) elevator maintenance; 4) mechanical service; and 5) security protection.

DP 6 - Supplies & Communications - When the legislature approved the rental rates for the program, it concurred with providing funding for: 1) the acquisition of tools and supplies; 2) increased telephone equipment charges; and 3) cellular telephones for on-call staff.

DP 7 - Rent, Repairs, & Utilities - When the legislature approved the rental rates for the program, it concurred with providing funding for net reductions of the base with the following factors involved: 1) vehicle rental increases; 2)

building rent reductions; 3) energy cost increases; and 4) trash removal contract increases.

DP 8 - Paint, Other Expenses, & Equipment - When the legislature approved the rental rates for the program, it concurred with providing funding for: 1) the purchase of bulk paint for the Capitol complex; 2) an increase in dues to the National Association of State Facilities Administrators; 3) a projected increase in assessments levied by the City of Helena and Lewis and Clark County; 4) increases for indirect and administrative costs paid to proprietary funded programs of the department for network support, accounting and budgeting support, payroll support, and legal services; and 5) the purchase of a man-lift for maintenance around the Capitol complex.

New Proposals

DP 3 - Personal Services 2.5 FTE - When the legislature approved the rental rates for the program, it concurred with providing funding to add 2.5 FTE to provide: 1) professional and technical support on mechanical engineering issues; 2) assistance to agencies on facility security issues; and 3) assistance to the office waste recycling program.

Program Description

The Central Mail Bureau manages mail service for state agencies and also manages the Post Office located in the Capitol building. This program derives its authority from 2-17-301, MCA.

Funding

The program is funded with proprietary funds.

Proprietary Rates**Program Description**

The Mail and Distribution Program provides qualified mailroom staff to operate a centralized mailing operation. Services provided by the program include: 1) mail pick-up and delivery in agency offices; 2) metering of all out-going U.S. mail; 3) bar coding qualified mailings to qualify for postal rate savings; 4) delivery of all inter-agency printed communications, also known as "Deadhead Mail"; 5) operation of a Postal Contract Station with locked mail boxes; 6) providing the services of United Parcel Service (UPS) to agencies; and 7) providing express mail service.

Revenues and Expenses

The program anticipates revenues of \$3.6 million in fiscal 2002 and \$3.6 million in fiscal 2003. These amounts are decreases of 2 percent from base year revenue. The program anticipates expenses of \$3.6 million in fiscal years 2002 and 2003. These amounts are increases of approximately 7 percent and 6 percent, respectively, over base year expenses.

Rate Explanation

The legislature approved a rate for interagency mail to allow operating costs up to \$171,655 in each fiscal year to be allocated to agencies. For the remaining portions of the program the legislature approved a rate based on maintaining no more than 60 days of working capital reserve.

Significant Present Law

DP 1 - Other Fixed Costs - When the legislature approved fees and charges for the Mail & Distribution Bureau, it concurred with providing funding for increases in department indirect/administrative costs for services received from the proprietary funded centralized service functions of the agency.

DP 2 - Request Add'l 0.33 FTE For Programmer - When the legislature approved fees and charges for the Mail & Distribution Bureau, it concurred with providing funding to add 0.33 FTE grade 15, programmer/analyst to provide dedicated programming and computer support.

DP 3 - Installment Purchase of Mailing Equipment - When the legislature approved fees and charges for the Mail & Distribution Bureau, it concurred with removing funding for the installment purchase of equipment that was originally purchased in fiscal 1999 via an installment purchase program and will be paid off in the 2003 biennium.

DP 4 - Overtime & US Postal Service Rate Increase - When the legislature approved fees and charges for the Mail & Distribution Bureau, it concurred with providing funding for overtime and postage rate increases.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	0.00	0.00	24.25	24.25	0.00	24.25	24.25	24.25
Personal Services	0	0	1,026,943	1,026,943	0	1,032,048	1,032,048	2,058,991
Operating Expenses	0	0	460,941	460,941	0	458,767	458,767	919,708
Total Costs	\$0	\$0	\$1,487,884	\$1,487,884	\$0	\$1,490,815	\$1,490,815	\$2,978,699
State/Other Special	0	0	1,487,884	1,487,884	0	1,490,815	1,490,815	2,978,699
Total Funds	\$0	\$0	\$1,487,884	\$1,487,884	\$0	\$1,490,815	\$1,490,815	\$2,978,699

Program Description

The Banking and Financial Institutions Division supervises, regulates, and examines: 1) state-chartered banks, trust companies, savings and loans, and credit unions; 2) consumer loan and sales finance companies; 3) escrow companies; 4) foreign capital depositories in accordance with Title 32, MCA; and 5) deferred deposit loan companies.

The division supervises state financial institutions to determine whether these institutions are operating in a safe and sound manner. The supervisory function of regulated financial businesses is accomplished through on-site safety and soundness examinations conducted by division examiners.

Funding

The division is funded with state special revenues generated from: 1) bank assessments and application fees; 2) credit union supervisory and examination fees; 3) consumer loan examination fees; 4) consumer loan/sales finance licenses; and 5) foreign capital depository application, charter, charter renewal, and examination (audit) fees, if received.

New Proposals										
		-----Fiscal 2002-----				-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 445 - SB 445 - Commerce Department Reorganization										
14	24.25	0	1,487,884	0	1,487,884	24.25	0	1,490,815	0	1,490,815
Total	24.25	\$0	\$1,487,884	\$0	\$1,487,884	24.25	\$0	\$1,490,815	\$0	\$1,490,815

New Proposals

DP 445 - SB 445 - Commerce Department Reorganization - The legislature passed SB 445, which moved portions of the Department of Commerce to the Department of Administration. Funding associated with the Banking and Financial Division previously performed by the Department of Commerce was moved to this new program of the department. When this function was moved, the net effect of their base budgets and all adjustments made by the legislature was moved as well. In summary, the legislature had made the following adjustments to the fiscal 2000 base budget of \$1,236,835 state special revenue for the Banking and Financial Division (amounts are for the biennium unless otherwise noted):

- A state special revenue increase of \$92,584 to allow for the travel of examination staff based on full staffing levels
- A state special revenue increase of \$5,218 to allow the department to replace the remaining two department-owned minivans at the Billings office with leased minivans
- A state special revenue increase of \$88,676 to fund increases in overtime, board member per diem, computer lease costs, and indirect costs
- A state special revenue reduction of \$172 to adjust for lower data network support fees and charges approved by the legislature
- A state special revenue reduction of \$29,280 to increase the statewide vacancy savings rate to 4 percent and include the state share of health insurance premiums in the calculation for determining the amount

The narrative for the Department of Commerce shows all base expenditures and adjustments made by the legislature prior to the enactment of SB 445 for historical purposes.

Language

The department is appropriated in each of the fiscal years 2002 and 2003 up to \$500,000 of state special revenue that is deposited in the account established for the purpose of processing charter applications and for the chartering, examination, and regulation of each foreign capital depository that obtains a charter under the provisions of 32-8-205, MCA.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	0.00	0.00	31.50	31.50	0.00	31.50	31.50	31.50
Personal Services	0	0	1,195,883	1,195,883	0	1,202,766	1,202,766	2,398,649
Operating Expenses	0	0	6,224,860	6,224,860	0	6,538,287	6,538,287	12,763,147
Equipment	0	0	361,600	361,600	0	17,700	17,700	379,300
Debt Service	0	0	1,145,578	1,145,578	0	1,145,577	1,145,577	2,291,155
Total Costs	\$0	\$0	\$8,927,921	\$8,927,921	\$0	\$8,904,330	\$8,904,330	\$17,832,251
Proprietary	0	0	8,927,921	8,927,921	0	8,904,330	8,904,330	17,832,251
Total Funds	\$0	\$0	\$8,927,921	\$8,927,921	\$0	\$8,904,330	\$8,904,330	\$17,832,251

Program Description

The Montana State Lottery Program designs and markets lottery games that allow players to purchase chances to win a prize. The lottery presently offers a variety of games, some in cooperation with other lotteries through the Multi-state Lottery Association (MUSL). Montana Cash is exclusive to Montana. A five-member State Lottery Commission, appointed by the Governor, sets policy and oversees program activities and procedures. The remaining net revenue, after sales commissions and operating expenses, is deposited in the general fund on a quarterly basis.

Funding

The Montana State Lottery is funded from an enterprise fund with revenue derived primarily from the sale of lottery tickets. The lottery also assesses a one-time \$50 fee to applicants for lottery retailer licenses. This fee is established in state statute. The fees charged are established by the State Lottery Commission as authorized by Title 23, Chapter 7, Part 202 (5), MCA. The commission has set the price of each on-line game ticket at \$1.00. Scratch ticket games cost either \$1.00 or \$2.00, depending upon the specific game. Lottery revenues provide funding for 31.50 FTE. A 60-day working capital balance is used to maintain operations because receivables are collected on a 7- to 30-day basis. Winners may be paid daily and the on-line gaming vendors must be paid weekly. The fund equity balance only includes contributed capital.

The Fifty-sixth Legislature passed SB 55, which changed the requirement to submit a budget and establish appropriations for certain proprietary funds that transfer excess revenues to the general fund. The Montana State Lottery Proprietary Fund falls under that requirement, and their budget is appropriated in HB 2.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 445 - SB 445 - Commerce Department Reorganization										
15	31.50	0	0	0	8,927,921*	31.50	0	0	0	8,904,330*
Total	31.50	\$0	\$0	\$0	\$8,927,921*	31.50	\$0	\$0	\$0	\$8,904,330*

New Proposals

DP 445 - SB 445 - Commerce Department Reorganization - The legislature passed SB 445, which moved portions of the Department of Commerce to the Department of Administration. Funding associated with the Montana State Lottery previously performed by the Department of Commerce was moved to this new program of the department. When this function was moved, the net effect of their base budgets and all adjustments made by the legislature was moved as well. In summary, the legislature had made the following adjustments to the fiscal 2000 base budget of \$6,742,950 for the Montana State Lottery (amounts are for the biennium unless otherwise noted):

- A proprietary fund increase of \$345,000 for the Lottery to purchase additional on-line gaming system terminals, to be installed in locations currently selling tickets via a dedicated circuit only, and also in locations

currently selling scratch games only (The legislature designated this as a one-time-only appropriation and inserted language requiring the Lottery to report to the 2003 legislature on the status and results related to the purchase and placement of the additional on-line terminals.)

- A proprietary fund increase of \$31,200 to accommodate anticipated increases in the division's current lease contract at 2525 N. Montana Avenue
- A proprietary fund increase of \$27,200 to fund the replacement of eight personal computers in each year of the biennium
- A proprietary fund increase of \$2,929,605 to fund increased operating expenses within the Montana State Lottery (Increases and the approximate values include: 1) carry-over of per diem - \$1,350 each year; 2) contract services for Lottery Vendor Fees - \$480,000 in fiscal 2002 and \$660,000 in fiscal 2003; 3) reestablishment of principal payments and reduction of interest payments from base year, for a net increase of \$900,000 per year (fiscal 2000 expenditures total \$900,000, but did not carry over into base expenditures); 4) indirect costs - \$7,000 in fiscal 2002 and \$8,000 in fiscal 2003; and 5) a reduction in equipment funding from the base year - \$28,000 each year.)
- A proprietary fund reduction of \$622 to adjust for lower data network support fees and charges approved by the legislature
- A proprietary fund reduction of \$31,968 to increase the statewide vacancy savings rate to 4 percent and include the state share of health insurance premiums in the calculation for determining the amount
- A proprietary fund increase of \$898,000 to fund an increase in the number of scratch games offered to players (This increase supports ticket production and the purchase of ticket dispensers that are designed to display and secure the new tickets.)
- A proprietary fund increase of \$200,000 to fund increased operating costs relative to the addition of at least one new on-line game per year of the biennium (The games would be offered in addition to existing on-line games.)

The narrative for the Department of Commerce shows all base expenditures and adjustments made by the legislature prior to the enactment of SB 445 for historical purposes.

Language

The department shall report to the 2003 legislature on the status and results related to the purchase and placement of additional on-line terminals funded in item [Online Terminals].

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	22.50	0.00	(0.84)	21.66	0.00	(0.84)	21.66	21.66
Personal Services	862,205	32,818	(21,490)	873,533	37,850	(21,564)	878,491	1,752,024
Operating Expenses	258,516	(13,060)	0	245,456	(14,505)	0	244,011	489,467
Total Costs	\$1,120,721	\$19,758	(\$21,490)	\$1,118,989	\$23,345	(\$21,564)	\$1,122,502	\$2,241,491
General Fund	1,116,125	(2,246)	(21,490)	1,092,389	541	(21,564)	1,095,102	2,187,491
State/Other Special	4,596	22,004	0	26,600	22,804	0	27,400	54,000
Total Funds	\$1,120,721	\$19,758	(\$21,490)	\$1,118,989	\$23,345	(\$21,564)	\$1,122,502	\$2,241,491

Program Description

The State Personnel Division provides state agencies with a comprehensive program of personnel administration that includes: 1) training; 2) position classification and pay; 3) collective bargaining and labor relations; and 4) equal employment and affirmative action administration. The division publishes state rules, standards, and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, and other personnel matters. The division administers benefits plans that include: 1) health, life, dental, and vision insurance; 2) flexible spending accounts; 3) deferred compensation; 4) a sick leave fund; and 5) employee incentive awards and health promotion. The division also prepares, maintains, and distributes payroll for all state employees.

Funding

Funding for general personnel administration functions is from the general fund. The Employee Benefits Bureau is funded from the investment earnings of the state employees benefits fund. The Employee Benefits Bureau also receives a minor general fund appropriation for administration of the employee incentive program and sick leave administration. The Professional Development Center is funded with proprietary fees charged to state agencies for training services. The State Payroll Unit is funded with proprietary fees charged to state agencies for payroll processing services.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				88,752					94,049
Vacancy Savings				(25,958)					(26,117)
Inflation/Deflation				552					993
Fixed Costs				1,762					2,643
Total Statewide Present Law Adjustments				\$65,108					\$71,568
DP 1 - Operating Cost Changes									
0.00	(38,646)	22,004	0	(16,642)	0.00	(42,189)	22,804	0	(19,385)
DP 4 - Additional 1 Percent Vacancy Savings									
0.00	(9,510)	0	0	(9,510)	0.00	(9,563)	0	0	(9,563)
DP 696 - Data Network Fixed Cost Reduction									
0.00	(270)	0	0	(270)	0.00	(270)	0	0	(270)
DP 698 - Rent Reduction - Use of Capitol Land Grant									
0.00	(6,847)	0	0	(6,847)	0.00	(6,871)	0	0	(6,871)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(12,081)	0	0	(12,081)	0.00	(12,134)	0	0	(12,134)
Total Other Present Law Adjustments									
0.00	(\$67,354)	\$22,004	\$0	(\$45,350)	0.00	(\$71,027)	\$22,804	\$0	(\$48,223)
Grand Total All Present Law Adjustments				\$19,758					\$23,345

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Operating Cost Changes - The legislature approved funding for: 1) costs to make building rent payments for the daycare center in Helena; 2) additional travel costs to attend recruitment fairs at state and tribal colleges and universities; and 3) increases in department indirect/administrative costs for services received from the proprietary funded centralized service functions of the agency.

The legislature intends that funding for the daycare to be limited only to paying the building rent costs.

DP 4 - Additional 1 Percent Vacancy Savings - The legislature reduced total personal services by an additional 1 percent per year based on historical average vacancy trends.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				Total Funds
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	
DP 689 - FTE Reduction										
23	(0.84)	0	0	0	0	(0.84)	0	0	0	0
DP 690 - Personal Services General Fund Reduction										
23	0.00	(21,490)	0	0	(21,490)	0.00	(21,564)	0	0	(21,564)
Total	(0.84)	(\$21,490)	\$0	\$0	(\$21,490)	(0.84)	(\$21,564)	\$0	\$0	(\$21,564)

New Proposals

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

DP 690 - Personal Services General Fund Reduction - The legislature reduced general fund personal services funding at a level equivalent to the general fund share of 1 percent of authorized FTE. No FTE were reduced.

Language

Item [State Personnel Division] includes a reduction of \$21,490 general fund in fiscal 2002 and \$21,564 general fund in fiscal 2003. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

Proprietary Rates

Program Description

The State Personnel Division manages three proprietary programs: 1) the Professional Development Center; 2) the Employee Benefits program, which includes the state's health insurance plan; and 3) the State Payroll Unit.

Professional Development Center (Fund 06525)

Program Description

The Professional Development Center (PDC) provides a variety of training and facilitation services to state agencies on a fee reimbursement basis. About 1 percent of the program revenues come from the sale of guidebooks and other publications. The PDC is currently funded with proprietary funds generated through fees charged for training services. The program has a staff of 3.0 FTE and also funds a small portion of an accounting technician position in the division.

Revenues and Expenses

Historically, demand for services has been measured by the number of participants being served. This measure is variable and difficult to predict from quarter to quarter. Total participants served in recent fiscal years are as follows:

- Fiscal 1998 (2,898 participants)
- Fiscal 1999 (2,279 participants)
- Fiscal 2000 (3,210 participants)

The program projects revenues of \$238,380 in fiscal 2002 and \$239,654 in fiscal 2003, which are increases of approximately 1.0 percent in fiscal 2002 and 1.5 percent in fiscal 2003 over base year revenues. The program projects expenses of \$235,022 in fiscal 2002 and \$235,577 in fiscal 2003, which are roughly equal to base year expenses. By the end of the biennium the program would have built up a fund balance of approximately \$7,400. Optimally, the PDC should have a 60-day operating reserve (about \$38,000). The program faced a severe revenue shortfall in fiscal 1999, just prior to the implementation of SABHRS, due to unusually low registrations. Agency demands for PDC trainings were down during this period when employees required extensive computer trainings, which are not offered by the PDC. The PDC increased its rates in the middle of fiscal 2000 to \$90 for a full day course and \$60 for a half-day course, in an effort to boost revenues. The program is concerned that another rate increase would discourage attendance rather than increase revenues.

Rate Explanation

The legislature approved a rate of \$113 per hour for each year of the 2003 biennium for services provided by the Professional Development Center.

Employee Benefits Program (Fund 06559)

Program Description

The Employee Benefits program provides a variety of insurance products for 30,000 state employees, former employees, and their dependents. Funding for the insurance comes from paid premiums. The state of Montana, as the employer, pays a state share contribution toward premium costs as part of the employees' benefits. Additional premiums are collected for dependent, retiree, and COBRA benefit coverage. The Employee Benefits program is charged with aggressively monitoring the health care market, providers, and regulatory agencies in order to maintain a high quality, cost effective, employee benefit plan that insulates state employees, retirees, and their families from financial harm due to illness or injury. The program works with the Montana Association of Health Care Purchasers on the joint purchase of cost-effective managed care plans. The program currently has a staff of 9.64 FTE.

Revenues and Expenses

The program projects revenues of \$66.6 million in fiscal 2002 and \$76.0 million in fiscal 2003, which are increases of 11

percent and 27 percent over base year revenues. Expenses are projected to be \$71.6 million in fiscal 2002 and \$78.5 million in fiscal 2003, which are increases of 14 percent and 25 percent over base year expenses.

Rate Explanation

Because state employee benefit plans require a large number of individual premiums for a variety of benefit options, because the portion of the premiums paid by the state is statutorily established in 2-18-703, MCA, and because the employee-paid portion of these premiums must be adjusted from time to time to meet the requirements of 2-18-812(1), MCA, to maintain state employee group benefit plans on an actuarially sound basis, the legislature defines "rates and fees" for state employee benefit programs to mean the state contribution toward employee group benefits provided for in 2-18-703, MCA, and the employee contribution toward employee group benefits necessary to meet the requirements of 2-18-812(1), MCA. The state contributions currently included in personnel services costs for fiscal years 2002 and 2003 is the fiscal 2001 rate of \$295 per month. HB 13, the pay plan bill, contains the rate increases for the 2003 biennium. The monthly state contribution will be: 1) \$295 from July 2001 through December 2001; 2) \$325 from July 2002 through December 2002; and 3) \$366 beginning in January 2003.

Significant Present Law Adjustments

DP 2 - Workload Increases and Additional Services - By approving the rates for the employee benefit plan, the legislature concurs with funding increases for: 1) increases in department indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency; 2) a 5 percent annual increase in employee benefit consulting services; 3) contracted services for a project to negotiate discounts with medical providers; 4) a biennial audit of medical and prescription drug claims; and 5) an updated employee benefits booklet. The legislature also concurs with funding the addition of 3.25 FTE to cover workload increases resulting from the conversion to SABHRS and increases in the number and variety of benefit options available to state employees and their dependents.

DP 3 - Health Insurance/Benefit Cost Increases - By approving the rates for the employee benefit plan, the legislature concurs with funding net health insurance and benefit cost increases due to: 1) increased third party administrator costs; 2) the institution of a focused managed care program; 3) changes in the prescription drug program (program savings); and 4) anticipated increases in plan participation.

State Payroll Unit (Fund 06563)

Program Description

The State Payroll Unit of the Payroll and Benefits Operations Bureau processes, distributes, reports, and accounts for payroll, benefits, and associated withholding and deductions for 12,000 state employees in the executive, legislative, and judicial branches. The bureau is currently staffed with 5.5 FTE.

Revenues and Expenses

The unit is projecting revenues of \$358,604 in fiscal 2002 and \$367,908 in fiscal 2003, which are increases of 16 percent in fiscal 2002 and 19 percent in fiscal 2003. Expenses are projected to be \$369,127 in fiscal 2002 and \$325,964 in fiscal 2003, which are an increase of 3.5 percent in fiscal 2002 and a decrease of 8.6 percent in fiscal 2003 from the base year expenditures.

Rate Explanation

The legislature approved rates for the Payroll Unit as the maximum amount of costs to be allocated to agencies. The legislature set the rates at \$356,958 in fiscal 2002 and \$366,248 in fiscal 2003 for payroll service fees.

Program Description

The Risk Management & Tort Defense Division (RMTD) insures state agencies against risk of loss for property, commercial vehicles, boiler, airport, aircraft, fidelity bonds, and fine arts. The state self-insures against property losses under \$150,000 (\$250,000 for the prison), and claims for general liability, errors and omissions, inland marine, auto liability, and foster care liability. The state also carries full coverage auto insurance on certain state-owned vehicles and on all leased or loaned vehicles. The division also provides risk management and safety training, consultation services, claims administration and legal defense to prevent or minimize the adverse effects of physical or financial loss. This division operates under the authority of 2-9-202, MCA.

Funding

The program is funded with proprietary funds.

Proprietary Rates**Program Description**

The Risk Management & Tort Defense Division (RMTD) insures state agencies against risk of loss for property, commercial vehicles, boilers, airports, aircraft, fidelity bonds, and fine arts. The state self-insures against property losses under \$150,000 (\$250,000 for the prison), and claims for general liability, errors and omissions, inland marine, auto liability, and foster care liability. The state also carries full coverage automobile insurance on certain state-owned vehicles and on all leased or loaned vehicles. The division also provides risk management and safety training, consultation services, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss.

The Department of Administration is authorized by Section 2-9-202, MCA, to accumulate a self-insurance fund to pay for self-insured losses, to purchase insurance, and to fund operations. The stated funding objective for the self-insurance portion of the program is to maintain insurance rates sufficient to sustain consecutive "three-year average" loss experiences of \$4.7 million over fiscal 2002 and fiscal 2003. This \$4.7 million dollar amount is based on average costs sustained. The State of Montana has tort damage caps of \$750,000 per claim or \$1,500,000 per occurrence. Because the state performs diverse and high-risk functions, three or four large catastrophic claims in any given year could drive the self-insurance fund balance to zero.

To set rates for the commercial insurance premium cost portion of the program, which is allocated to agency budgets as part of fixed costs, the program calculates the actual base year premiums paid to commercial carriers and adds on a percentage of increase. The program determines the amount of the percentage increase by talking to industry experts and brokers to get their opinions about how much commercial premiums will be in the upcoming biennium.

Revenues and Expenses

With the rates approved by the legislature, the program would receive revenue of \$8.5 million in fiscal 2002 and \$9.1 million in fiscal 2003. These amounts are approximately 24 percent and 33 percent, respectively, over base year revenue. At that level of funding, the program will generate enough revenue to fund the average of losses sustained in the last three years. The program experienced a 71 percent increase in estimated tort claims liability in fiscal 2000 that significantly increased the base year operations. The program's actual base year operations expenditures were \$11.8 million. The program anticipates actual expenditures of \$12.2 million in fiscal 2002 and \$12.3 million in fiscal 2003, which are both increases of approximately 4 percent over base year expenditures, not including estimated tort claims liability. The program anticipates estimated tort claims liability to remain at this level for the 2003 biennium.

Rate Explanation

The legislature approved the following rates for Risk Management and Tort Defense self-insurance premiums to agencies:

- General liability (total allocation to agencies) \$5,362,500 in fiscal 2002 and \$5,775,000 in fiscal 2003
- Automobile liability (total allocation to agencies) \$1,137,500 in fiscal 2002 and \$1,225,000 in fiscal 2003

- Property (total allocation to agencies) \$1,200,500 in fiscal 2002 and \$1,270,930 in fiscal 2003
- Airport/aircraft (total allocation to agencies) \$116,567 in fiscal 2002 and \$128,222 in fiscal 2003
- All other lines (total allocation to agencies) \$239,413 in fiscal 2002 and \$258,508 in fiscal 2003

Significant Present Law

DP 2 - Contracted Services - By approving the premium rates the legislature concurs with providing funding for increased costs for adjusting firms, attorneys, actuarial consulting firms, insurance brokers, and appraisal firms. The increases are due to: 1) projected increases in the hourly fees charged by consultants; and 2) anticipated increase in the amount of work being sent to the consultants to address workload issues.

DP 3 - Other Fixed Costs - By approving the premium rates the legislature concurs with providing funding for increases in department indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

DP 4 - Insurance Procurement & Administration - By approving the premium rates the legislature concurs with providing funding for increases in insurance premiums paid to commercial property and casualty insurance companies.

DP 5 - Rent - By approving the premium rates the legislature concurs with providing funding for increased rent and utility costs the division will incur as the result of being moved to the USF&G Building.

New Proposals

DP 1 - Additional 3.0 FTE - By approving the premium rates the legislature concurs with providing funding to add 3.0 FTE to address workload increases anticipated because of: 1) the assumption by the Department of Transportation of maintenance responsibilities on paved secondary roads; and 2) an increasing trend in the number of property and casualty claims and lawsuits being made against the state.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	9.00	0.00	(2.00)	7.00	0.00	(2.00)	7.00	7.00
Personal Services	195,328	56,124	(58,289)	193,163	57,636	(58,483)	194,481	387,644
Operating Expenses	85,238	(7,637)	0	77,601	(7,247)	0	77,991	155,592
Local Assistance	2,759	0	0	2,759	0	0	2,759	5,518
Total Costs	\$283,325	\$48,487	(\$58,289)	\$273,523	\$50,389	(\$58,483)	\$275,231	\$548,754
General Fund	283,325	48,487	(58,289)	273,523	50,389	(58,483)	275,231	548,754
Total Funds	\$283,325	\$48,487	(\$58,289)	\$273,523	\$50,389	(\$58,483)	\$275,231	\$548,754

Program Description

The State Tax Appeal Board provides a tax appeal system for all actions of the Department of Revenue. It hears appeals from decisions of the 56 county tax appeal boards and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally assessed property and new industry property, gasoline and vehicle fuels taxes, and cabin site leases. The board travels throughout the state to hear appeals from decisions of the county tax appeal boards and to conduct informational meetings for the various county tax appeal boards. The State Tax Appeal Board directs the county tax appeal board secretaries, who are state employees, and pays their salaries and employee benefits from its personal services appropriation. The board also reviews and pays the expenses, including employee benefits, of those county tax appeal board secretaries who are county employees. In addition, the board pays the clerical-related expenses for all 56 county tax appeal boards, including supplies, postage, and copies. The board does not pay for office equipment.

Funding

The board is funded entirely by the general fund.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				109,431					111,303
Vacancy Savings				(8,187)					(8,243)
Inflation/Deflation				(19)					(19)
Fixed Costs				(272)					2
Total Statewide Present Law Adjustments				\$100,953					\$103,043
DP 1 - Miscellaneous Operating Costs									
0.00 (46,016)		0	0	(46,016)	0.00	(46,178)	0	0	(46,178)
DP 696 - Data Network Fixed Cost Reduction									
0.00 (76)		0	0	(76)	0.00	(76)	0	0	(76)
DP 698 - Rent Reduction - Use of Capitol Land Grant									
0.00 (2,370)		0	0	(2,370)	0.00	(2,378)	0	0	(2,378)
DP 699 - Vacancy Savings at 4 Percent									
0.00 (4,004)		0	0	(4,004)	0.00	(4,022)	0	0	(4,022)
Total Other Present Law Adjustments									
0.00 (\$52,466)		\$0	\$0	(\$52,466)	0.00	(\$52,654)	\$0	\$0	(\$52,654)
Grand Total All Present Law Adjustments				\$48,487					\$50,389

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Miscellaneous Operating Costs - The legislature approved adjustments that provide net reductions of budget authority. The factors for the adjustment are increases for: 1) department indirect/administrative costs for services received from the proprietary funded centralized service functions of the agency; and 2) per diem at the base level for county tax appeal board members to attend meetings to hear appeals or meetings called by the state tax appeal board. The factors that decreased the budget are: 1) removal of base year expenditures for computer equipment that would not be needed during the 2003 biennium; 2) removing a budget system generated adjustment to the base for health insurance for an aggregate position in which the incumbents are hired at less than 0.5 FTE and do not individually qualify for health insurance benefits; and 3) additional vacancy savings of 16 percent, based on the historical average vacancy rate.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount. The legislature imposed a further 16 percent vacancy savings rate (DP 1 above) for a total vacancy savings of 20 percent.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 10 - General Fund Personal Services Reduction										
37	0.00	(58,289)	0	0	(58,289)	0.00	(58,483)	0	0	(58,483)
DP 689 - FTE Reduction										
37	(2.00)	0	0	0	0	(2.00)	0	0	0	0
Total	(2.00)	(\$58,289)	\$0	\$0	(\$58,289)	(2.00)	(\$58,483)	\$0	\$0	(\$58,483)

New Proposals

DP 10 - General Fund Personal Services Reduction - The legislature reduced general fund for personal services associated with positions that had been vacant for more than seven months.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds for these positions were not reduced for the 2003 biennium as a result of this action, but were reduced in a separate action documented in decision package DP 10. The legislature directed that the eliminated positions not be funded in the present law base budget submitted for the 2005 biennium.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	3.00	0.00	0.00	3.00	0.00	0.00	3.00	3.00
Personal Services	129,908	2,523	0	132,431	3,423	0	133,331	265,762
Operating Expenses	40,983	4,120	0	45,103	4,587	0	45,570	90,673
Total Costs	\$170,891	\$6,643	\$0	\$177,534	\$8,010	\$0	\$178,901	\$356,435
General Fund	0	0	0	0	0	178,901	178,901	178,901
State/Other Special	170,891	6,643	0	177,534	8,010	(178,901)	0	177,534
Total Funds	\$170,891	\$6,643	\$0	\$177,534	\$8,010	\$0	\$178,901	\$356,435

Agency Description

The Office of the Appellate Defender is an agency administratively attached to the Department of Administration. The Appellate Defender is hired by, and serves at the pleasure of, the Appellate Defender Commission. The Appellate Defender provides legal counsel for indigent persons who have been convicted and who then appeal district court convictions, or who petition for post-conviction relief from district court proceedings. The Appellate Defender also aids the commission by compiling and maintaining a current roster of Montana attorneys who are eligible to serve as trial and appellate defense counsel for the indigent if appointed by an appropriate court.

Summary of Legislative Action

The legislature approved \$14,653 in present law adjustments. Of the present law increase, \$9,353 was for statewide increases to fully fund personal services, adjustments for inflation and deflation, and funding for fixed cost payments to other agencies. The legislature approved one present law request to increase contracted services by \$5,300 for the biennium to fund expert witnesses and a private investigator. The legislature passed HB 124, which revised local funding. HB 124 also revised the source of funding for the Appellate Defender by replacing state special revenue from district court fees with general fund in fiscal 2003.

Other Legislation

House Bill 124 - HB 124 revised local government funding laws. HB 124 changed where revenues from fees and taxes previously collected by the counties are to be deposited. For the most part, these revenues are to be deposited in the state general fund. Impacts on counties are offset by entitlement payments made from the state general fund. HB 124 also funded the Appellate Defender functions with state general fund beginning in fiscal 2003.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg - Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg - Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	3.00	3.00	3.00	0.00	3.00	3.00	0.00	
Personal Services	129,908	132,431	132,431	0	133,331	133,331	0	0
Operating Expenses	40,983	48,703	45,103	(3,600)	49,170	45,570	(3,600)	(7,200)
Total Costs	\$170,891	\$181,134	\$177,534	(\$3,600)	\$182,501	\$178,901	(\$3,600)	(\$7,200)
General Fund	0	0	0	0	0	178,901	178,901	178,901
State/Other Special	170,891	181,134	177,534	(3,600)	182,501	0	(182,501)	(186,101)
Total Funds	\$170,891	\$181,134	\$177,534	(\$3,600)	\$182,501	\$178,901	(\$3,600)	(\$7,200)

Executive Budget Comparison

The legislative budget reflects a net decrease from the Executive Budget of \$7,200 for the biennium. The difference is due entirely to the legislature denying a request for increased costs for training.

Funding

In fiscal 2002, the agency is funded entirely from the district court criminal reimbursement state special revenue account, which derives revenue from taxes and fees collected on light vehicles. Funding for the agency is shifted to general fund in fiscal 2003, as the district court fees that previously funded this account will now be deposited in the general fund.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					2,523					3,423
Vacancy Savings					0					0
Inflation/Deflation					585					1,023
Fixed Costs					885					914
Total Statewide Present Law Adjustments					\$3,993					\$5,360
DP 2 - Appellate Defender Contracted Services										
	0.00	0	2,650	0	2,650	0.00	0	2,650	0	2,650
Total Other Present Law Adjustments										
	0.00	\$0	\$2,650	\$0	\$2,650	0.00	\$0	\$2,650	\$0	\$2,650
Grand Total All Present Law Adjustments					\$6,643					\$8,010

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - Appellate Defender Contracted Services - The legislature approved an increase in contracted services for expert witnesses and a private investigator for current and anticipated court cases.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 124 - HB 124 Funding Switch										
01	0.00	0	0	0	0	0.00	178,901	(178,901)	0	0
Total	0.00	\$0	\$0	\$0	\$0	0.00	\$178,901	(\$178,901)	\$0	\$0

New Proposals

DP 124 - HB 124 Funding Switch - The legislature switched funding for the Appellate Defender from state special revenue to general fund to implement the effects of HB 124. HB 124 moved the costs for the Appellate Defender to the state general fund during fiscal 2003.

Language

Item [Appellate Defender] includes an increase of \$178,901 general fund in fiscal 2003 and a reduction of \$178,901 state special revenue in fiscal 2003 that are contingent upon passage and approval of HB 124.

HEALTH AND HUMAN SERVICES

Section B

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE COMMITTEES

-----Agencies-----

Public Health & Human Services

-----Committee Members-----

House

Representative Dave Lewis (Chair)
Representative Joey Jayne
Representative Edith Clark

Senate

Senator John Cobb (Vice-Chair)
Senator Bob Keenan
Senator Mignon Waterman

-----Fiscal Division Staff-----

Lois Steinbeck
Pat Gervais

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	2,696.84	86.00	15.99	2,798.83	95.00	18.74	2,810.58	2,810.58
Personal Services	98,366,813	4,139,343	1,275,482	103,781,638	4,997,123	1,542,001	104,905,937	208,687,575
Operating Expenses	70,760,991	8,074,396	20,927,229	99,762,616	8,790,025	6,790,836	86,341,852	186,104,468
Equipment	793,242	51,983	142,420	987,645	27,983	107,157	928,382	1,916,027
Capital Outlay	6,356	0	0	6,356	0	0	6,356	12,712
Local Assistance	6,249	0	0	6,249	0	0	6,249	12,498
Grants	37,927,039	5,399,866	1,692,133	45,019,038	5,798,010	959,410	44,684,459	89,703,497
Benefits & Claims	558,364,221	100,246,920	106,894,833	765,505,974	124,276,809	118,046,001	800,687,031	1,566,193,005
Transfers	0	0	28,950	28,950	0	29,221	29,221	58,171
Debt Service	619,798	0	1,200	620,998	0	1,200	620,998	1,241,996
Total Costs	\$766,844,709	\$117,912,508	\$130,962,247	\$1,015,719,464	\$143,889,950	\$127,475,826	\$1,038,210,485	\$2,053,929,949
General Fund	228,813,863	21,792,024	12,352,882	262,958,769	28,745,435	15,544,043	273,103,341	536,062,110
State/Other Special	32,370,025	1,032,554	(4,479,762)	28,922,817	2,113,640	(2,920,907)	31,562,758	60,485,575
Federal Special	505,660,821	95,087,930	123,089,127	723,837,878	113,030,875	114,852,690	733,544,386	1,457,382,264
Total Funds	\$766,844,709	\$117,912,508	\$130,962,247	\$1,015,719,464	\$143,889,950	\$127,475,826	\$1,038,210,485	\$2,053,929,949

Agency Description

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects including: welfare reform - Families Achieving Independence in Montana (FAIM), Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention).

The department is also responsible for all state institutions except prisons. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Facility, Lewistown; Montana Chemical Dependency Center, Butte; Eastmont Human Services Center, Glendive; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder.

Summary of Legislative Action

The DPHHS budget as approved by the legislature includes present law adjustments totaling \$261.9 million, including \$50.6 million general fund. New proposals approved by the legislature add \$258.4 million total funds, including a \$27.9 million general fund increase. The legislature also funded 133.74 new FTE.

About 28 percent of the new proposals and present law adjustments approved by the legislature are not necessarily new costs but reflect changes in accounting procedures or the non-budgeted status of a particular expenditure. For example, appropriation authority for food stamp benefits historically has not been included in the general appropriations act. However, due to a change in how benefits will be distributed, statute requires that appropriations for these expenditures be authorized in the general appropriations act. The appropriations for expenditures previously not included in HB2 are:

- Food stamp benefit appropriations of \$103.3 million federal funds
- Medicaid drug rebate and third party collections of \$34 million in federal and state special revenue
- Infant formula rebates in the Women, Infants, and Children (WIC) program of \$6.6 million federal funds

General Fund Changes

The 2003 biennium general fund appropriation increases a net of \$78.4 million over base budget expenditures. Significant adjustments approved by the legislature that impact the general fund are:

- Medicaid caseload adjustments of \$141 million total funds, including \$34.5 million general fund
- Provider rate increases of \$45.8 million total funds, including \$12.9 million general fund
- Annualization of the Children's Health Insurance Program (CHIP) of \$20 million total funds, including \$3.8 million general fund
- Changes due to HB 124 (the local government funding bill) of \$28.6 million general fund, with a reduction of \$27.3 million state special revenue
- Movement of developmentally disabled individuals to community settings and continued support for the institutions of \$6.4 million total funds, \$3.8 million general fund
- Support for increased state hospital population and community services, and planning for development of a new regional mental health system for \$4.8 million general fund (including funding for 33 FTE)
- Foster care and subsidized adoption caseload increases of \$5.4 million total funds, \$3.1 million general fund
- Annualization of fiscal 2001 provider rate increases of \$3.7 million total funds, including \$1.7 million general fund

The 2003 biennium general fund increase is offset by several general fund reductions with the two most notable being:

- \$6 million for tobacco control and prevention
- \$3.9 million of mental health services plan changes due to service reductions and eligibility limitations

The legislature also instituted several funding switches to offset general fund, appropriating about \$8 million in state special revenue and federal funds and reducing general fund a like amount. The two most significant of these were a \$4 million reduction in general fund match for mental health Medicaid benefits and an increase in state special revenue from the county nursing home intergovernmental transfer program, and a \$1.3 million offset in general fund mental health services costs with state special alcohol tax revenue.

Federal and State Special Revenue Changes

Federal and state special revenue appropriations increase \$461 million over the biennium. As noted earlier, a significant portion of this increase is related to inclusion of appropriations in HB 2 for existing expenditures that had been accounted for in ways other than the general appropriations act. The most significant proposals that add federal and state special revenue for new or expanded programs approved by the legislature are:

- \$31.8 million for FAIM Phase II-R
- \$23.2 million for Medicaid intergovernmental transfer programs
- \$13.1 million for childcare services and the Child and Adult Food Care program
- \$10.5 million for federal substance abuse block grant increases
- \$7.8 million to expand Medicaid services to include outpatient chemical dependency services
- \$4 million for services for the developmentally disabled
- \$3 million for a Community Collaboration Project to recoup additional federal Title IV-E funds

FTE Changes

FTE increase a net of 113.74 positions in fiscal 2003. The most significant changes are:

- 27.0 FTE to maintain a higher than expected population at the state hospital
- 20.0 FTE that were eliminated in the fiscal 2001 budget but which are needed to support the current population at the Montana Developmental Center
- 18.0 FTE to staff the new special care unit at the Montana Veterans' Home
- 14.0 FTE to staff federal TANF, Child and Adult Food Care, employment and training, energy and commodity, and childcare functions in the Human and Community Services Division
- 12.0 FTE to determine eligibility for CHIP and the state administered Mental Health Services Plan

- 6.0 FTE to help determine the new regional mental health plan, develop community mental health service incentives, and help reduce the state hospital population
- 6.25 FTE for child protective services including 1.0 FTE to coordinate a project to recoup additional federal funds
- 5.0 FTE to continue the community incentive and local needs assessment for a chemical dependency federal block grant
- 4.0 FTE for adult protective services

The FTE increase was partially offset by a reduction of 19.26 FTE that had been vacant for more than seven months. The legislature directed that funding for the vacant FTE could not be included in the present law budget for the 2005 biennium.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg – Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg – Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	2,696.84	2,815.09	2,798.83	(16.26)	2,827.34	2,810.58	(16.76)	
Personal Services	98,366,813	103,875,382	103,781,638	(93,744)	104,832,416	104,905,937	73,521	(20,223)
Operating Expenses	70,760,991	86,385,560	99,762,616	13,377,056	80,723,116	86,341,852	5,618,736	18,995,792
Equipment	793,242	987,645	987,645	0	928,382	928,382	0	0
Capital Outlay	6,356	6,356	6,356	0	6,356	6,356	0	0
Local Assistance	6,249	6,249	6,249	0	6,249	6,249	0	0
Grants	37,927,039	44,309,619	45,019,038	709,419	44,379,450	44,684,459	305,009	1,014,428
Benefits & Claims	558,364,221	750,651,406	765,505,974	14,854,568	772,022,310	800,687,031	28,664,721	43,519,289
Transfers	0	28,950	28,950	0	29,221	29,221	0	0
Debt Service	619,798	620,998	620,998	0	620,998	620,998	0	0
Total Costs	\$766,844,709	\$986,872,165	\$1,015,719,464	\$28,847,299	\$1,003,548,498	\$1,038,210,485	\$34,661,987	\$63,509,286
General Fund	228,813,863	252,154,995	262,958,769	10,803,774	261,428,081	273,103,341	11,675,260	22,479,034
State/Other Special	32,370,025	39,472,337	28,922,817	(10,549,520)	42,653,804	31,562,758	(11,091,046)	(21,640,566)
Federal Special	505,660,821	695,244,833	723,837,878	28,593,045	699,466,613	733,544,386	34,077,773	62,670,818
Total Funds	\$766,844,709	\$986,872,165	\$1,015,719,464	\$28,847,299	\$1,003,548,498	\$1,038,210,485	\$34,661,987	\$63,509,286

Executive Budget Comparison

The legislature approved an increase of \$63.5 million, including \$22.5 million general fund, above the Executive Budget request. The general fund increase was due almost solely to the passage and approval of HB 124, which changed the funding for public assistance and protective service costs from county funds to general fund. General fund in the department was increased by \$28.6 million over the biennium, and state special revenue was reduced by \$27.3 million to implement HB 124. The net general fund increase of \$1.3 million covers the pay plan appropriation authorized by HB 13, but funded from state special revenue in HB 13. Since HB 13 had already been transmitted to the Governor when the legislature considered the impact of HB 124, it appropriated the general fund pay plan increase in HB 2. Table 1 illustrates the funding shift that was created by the provisions of HB 124.

Excluding the impact of HB 124, the legislature reduced the executive general fund request by \$6.1 million. General fund reductions were due to funding switches to refinance general fund expenditures with state special revenue and federal funds as well as decreases in general fund executive budget requests. Major changes in the Executive Budget made by the legislature that resulted in general fund reductions include:

- \$3.9 million in general fund in the Mental Health Services Plan, including service and eligibility reductions as well as executive and legislative revisions to projected caseload costs
- \$1.1 million general fund, equivalent to a 1 percent reduction in personal services costs
- \$0.8 million in support for the Operations and Technology Division
- \$0.5 million net general fund in TANF maintenance of effort, with partially offsetting increases in general fund appropriations to increase childcare matching funds
- \$0.3 million in funding for travel department-wide
- \$0.3 million to expand financial eligibility for the Children's Health Insurance Program (CHIP)

The legislature used federal funds and state special revenue to offset general fund, without decreasing overall program expenditures. The most significant general fund offsets include:

- \$5.9 million in federal TANF funds to offset general fund costs and to continue Title XX, Social Services Block Grant, federal funding for foster care that was instituted in the 2001 biennium but had been eliminated in the Executive Budget (The Executive Budget complied with federal regulation as it existed at the time of budget preparation. Federal regulations applying to part of the 2003 biennium were modified after the Executive Budget was prepared.)
- \$4.0 million of state special revenue from the Medicaid intergovernmental transfer program for county nursing homes offset general fund in Medicaid mental health services
- \$1.3 million of state special revenue offset general fund for the System for the Enforcement and Recovery of Child Support (SEARCHS)
- \$1.3 million general fund offset through use of alcohol tax state special revenues for mental health services
- \$1.0 million in state special revenue and federal funding offset general fund for foster care services

The legislature added general fund above the level requested by the executive in several areas. The increases were fully or partially offset by reductions in other areas. Those include:

- \$1.0 million general fund for childcare benefits so all federal childcare matching funds available to the state may be obtained
- \$1.0 million general fund to provide a 1 percent increase to providers of services to the developmentally disabled, reduce the developmental disabilities waiting list, and offset a base reduction for a change in the Medicaid matching rate
- \$0.8 million general fund (\$1.6 million total funds) to raise direct care worker wages for persons assisting the developmentally disabled, which was offset by elimination of funding to support the elimination of the Medicaid assets test
- \$0.2 million general fund (\$0.7 million total funds) to increase personal assistance direct care wages for persons assisting the physically disabled and aged

Table 1 Summary of HB 124 Fiscal Impact Department of Public Health and Human Services				
Division	Fiscal 2002		Fiscal 2003	
	General Fund	State Special	General Fund	State Special
Health Policy and Services	\$6,717,000	(\$6,717,000)	\$6,862,000	(\$6,862,000)
Human and Community Services	3,852,988	(3,356,606)	4,006,121	(3,376,187)
Child and Family Services	2,206,194	(2,172,078)	2,241,893	(2,135,314)
Operations and Technology	1,044,768	(1,037,443)	1,070,319	(1,055,626)
Quality Assurance	211,082	(204,359)	218,916	(205,400)
Director's Office	93,333	(90,463)	96,915	(91,028)
Total	<u>\$14,125,365</u>	<u>(\$13,577,949)</u>	<u>\$14,496,164</u>	<u>(\$13,725,555)</u>
General Fund in Excess of State State Special Revenue Reduction	\$547,416		\$770,609	

The legislature appropriated increases in federal and state special revenue that expanded reimbursement for services or increased program funding levels. The most significant increases are:

- \$23 million for four Medicaid intergovernmental transfer programs
- \$3 million for a community collaboration project that will use community funds to obtain additional federal reimbursement under Title IV-E of the Social Security Act
- \$2 million for services to the developmentally disabled
- \$2 million for services for seniors and physically disabled persons
- \$1.5 million in Medicaid matching funds for services provided by schools

Other significant changes from the Executive Budget include:

- Revision to the spending plan for TANF funds known as FAIM Phase II, now known as FAIM Phase II-R
- Reductions in the appropriation for general fund MSHP costs with offsetting increases in appropriations for the Montana State Hospital and planning and implementation of a regional mental health system
- Funding revisions in foster care and subsidized adoption caseload and rate increases

Agency Narrative

The legislature made several policy decisions that impacted which, and at what level, proposals for existing, new, or expanded services were funded. Legislative priorities funded include:

- Direct care worker wages
- Provider rate increases
- Community services for the developmentally disabled
- Continued support for low-income families leaving, and who have left, the welfare cash assistance program
- Childcare services for low-income working families
- Support for the Montana State Hospital and increased community services for adults with a serious and disabling mental illness
- Staff and funding for planning and implementation of a regional mental health system
- Service reductions and eligibility limitations for the MSHP program
- Opportunities for refinancing or increasing federal revenue received by the state

Direct Care Worker and Provider Rate Increases

Table 2 shows the provider rate increases appropriated by the legislature. Provider rate increases total 1.8 percent of the agency general fund appropriation in fiscal 2002, rising to 3.1 percent of the total in fiscal 2003. The legislature added funds above the executive request to support wages for direct care workers and rate increases. (In addition to general fund, the legislature appropriated \$3 million of interest income from the tobacco trust income to support provider rate increases, discussed as follows).

Table 2
2003 Biennium Provider Rate Increases*

Division and Provider Rate Increase	Fiscal 2002 Appropriation			Fiscal 2003 Appropriation			Biennium Total		
	General Fund	Total Funds	Percent Increase	General Fund	Total Funds	Percent Increase	General Fund	Total Funds	Percent of Total
<u>Child and Family Services Division</u>									
Family Foster Care	\$488,552	\$751,619	4.30%	\$492,634	\$757,898	0.00%	\$981,186	\$1,509,517	3.3%
Subsidized Adoption	124,350	240,988	2.80%	125,176	242,589	0.00%	249,526	483,577	1.1%
Foster Care Facilities	213,938	115,198	2.80%	215,148	115,849	0.00%	429,086	231,047	0.5%
Subtotal CFSD	\$826,840	\$1,107,805		\$832,958	\$1,116,336		\$1,659,798	\$2,224,141	4.8%
<u>Health Policy and Services Division</u>									
Ambulance Services	\$90,267	\$332,842	35.00%	\$92,667	\$343,466	0.00%	\$182,934	\$676,308	1.5%
Dental Services	47,822	995,671	20.00%	355,529	1,344,748	0.00%	403,351	2,340,419	5.1%
Non-hospital Services	252,524	931,138	2.50%	506,681	1,877,986	2.50%	759,205	2,809,124	6.1%
Hospital Services	113,000	1,146,046	1.85%	137,504	2,385,050	1.85%	250,504	3,531,096	7.7%
Subtotal HPSP	\$503,613	\$3,405,697		\$1,092,381	\$5,951,250		\$1,595,994	\$9,356,947	20.4%
<u>Disability Services Division</u>									
Provider Wage Parity (DD)	\$1,551,313	\$3,047,801	9.30%	\$2,445,300	\$4,810,021	5.40%	\$3,996,613	\$7,857,822	17.1%
Provider Rate Increase (DD)**	311,259	613,180	1.00%	310,758	612,193	0.00%	622,017	1,225,373	2.7%
Provider Rate Increase (VR)	27,769	130,371	2.50%	56,649	265,956	2.50%	84,418	396,327	0.9%
Tuition Increase (VR)	27,768	177,436	4.00%	252,270	401,938	4.00%	280,038	579,374	1.3%
Subtotal DSD	\$1,918,109	\$3,968,788		\$3,064,977	\$6,090,108		\$4,983,086	\$10,058,896	21.9%
<u>Senior and Long-Term Care Division</u>									
Nursing Homes	\$544,641	\$4,603,318	4.50%	\$1,537,430	\$9,460,855	4.50%	\$2,082,071	\$14,064,173	30.6%
Home Based, Community Waiver, Aging Services	82,521	304,282	1.50%	167,811	621,984	1.50%	250,332	926,266	2.0%
Personal Care Assistants	401,931	1,080,114	3.00%	638,676	2,367,220	3.00%	1,040,607	3,447,334	7.5%
Subtotal SLTC	\$1,029,093	\$5,987,714		\$2,343,917	\$12,450,059		\$3,373,010	\$18,437,773	40.1%
<u>Addictive and Mental Disorders Division</u>									
Medicaid Mental Health	\$91,457	\$891,098	1.40%	\$472,749	\$2,722,333	2.80%	\$564,206	\$3,613,431	7.9%
Psychiatrists	119,782	354,582	25.00%	137,467	408,517	0.00%	257,249	763,099	1.7%
Mental Health Services Plan	136,315	166,336	1.40%	432,635	524,072	2.80%	568,950	690,408	1.5%
Frontier County Services	0	391,428	20.00%	0	402,388	0.00%	0	793,816	1.7%
Screening/Treatment	2,493	3,035	1.40%	7,539	9,367	2.80%	10,032	12,402	0.0%
Subtotal AMDD	\$350,047	\$1,806,479		\$1,050,390	\$4,066,677		\$1,400,437	\$5,873,156	12.8%
Department Total	\$4,627,702	\$16,276,483		\$8,384,623	\$29,674,430		\$13,012,325	\$45,950,913	100.0%
Total DPHHS Appropriation	\$262,958,769	\$1,015,719,464		\$273,103,341	\$1,038,210,485				
Rate Increases as % of Total	1.8%	1.6%		3.1%	2.9%				

*Medicaid intergovernmental transfer programs are not included in this table because the legislature considers transfer payments to be one time and not continuing provider rate increases.

**The legislature provided an additional \$500,000 per year general fund to the Disability Services Division. Among the items the division plans to fund with this additional \$500,000 general fund is a 1 percent provider rate increase in the first year of the 2003 biennium.

Appropriation of Interest Income from the Tobacco Settlement Trust

The legislature accepted the executive request to fund part of the Medicaid provider rate increases with interest income from the tobacco settlement trust. Table 3 shows the appropriation by type of Medicaid service.

Table 3
Tobacco Settlement Trust Interest Income
Appropriated for Medicaid Provider Rate Increases

Provider Rate/ Service	Fiscal 2002	Fiscal 2003	Biennial Total	Percent of Total
Nursing Homes	\$703,779	\$1,015,108	\$1,718,887	56.2%
Hospitals	197,808	505,983	703,791	23.0%
Dental	222,204	0	222,204	7.3%
Mental Health	150,209	261,736	411,945	13.5%
Total	<u>\$1,274,000</u>	<u>\$1,782,827</u>	<u>\$3,056,827</u>	<u>100%</u>
Fiscal 2001 - 2003 Interest Income - HJR 2			\$2,926,800	
Appropriation Over (Under) Revenue			<u>\$130,027</u>	

The majority of interest income is appropriated to nursing homes. About a fifth of the interest is appropriated to hospitals. Dental and mental health services receive the balance of the appropriation.

Revenue estimates were updated by the legislature, including those for tobacco trust income. The estimates included in HJR 2 include \$2,926,800 of interest income from the trust. This income includes interest generated in fiscal 2001 through fiscal 2003. The biennial appropriation is \$3,056,827, which is \$130,027 more than estimated to be available.

The legislature added language directing that if the interest income on the tobacco settlement trust fund is insufficient to fully fund the state special

revenue appropriations for provider rate increases, the legislature intends that the department find alternative funding sources to fully fund the provider rate increases. Alternative sources may include, but are not limited to, enhanced Medicaid intergovernmental transfer programs and transfers of general fund money from other appropriations.

Provider Rate Information Required by HB 2 Language

The legislature adopted language in HB 2 directing the department to provide specific information by program about rates paid by various providers to direct care workers who perform comparable duties. The information is to be given to the Children, Families, Health, and Human Services Interim Committee and the Legislative Finance Committee by August 2002. The legislature requested the information based on the varying provider rate increases requested by the executive, changes made by the legislature, and concerns that rates paid for similar or comparable services may vary among service systems and within the same locality. The information provided should aid also in determining whether funds appropriated for direct care worker wage increases were used for that purpose in compliance with conditions attached to appropriations.

Medicaid Appropriations

Total Medicaid services appropriations increase \$269 million, including \$58 million general fund, from the fiscal 2000 base budget expenditures to fiscal 2003 appropriated levels. The largest increase funds caseload growth, pharmacy inflation, and service utilization changes, which added \$141 million over the biennium. The legislature authorized \$23 million for Medicaid intergovernmental transfer programs funded with federal and state special revenue funds. Appropriations of \$34 million state special revenue and federal funds were added to fund expenses previously offset by rebates using drug rebate and third party liability revenues, and \$4 million in county intergovernmental transfer state special revenue was used to offset \$4 million general fund in the mental health Medicaid services appropriations. Finally, the legislature appropriated \$9 million in additional federal authority to match Medicaid eligible services provided by schools and to offset the general fund cost or augment existing services without increasing general fund expenditures in the Disabilities Services and Senior and Long-Term Care divisions.

Table 4
2003 Biennium Medicaid Appropriation *

Division/Benefit**	Fiscal 2000 Base*		Fiscal 2002		Fiscal 2003		Percent of Total
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds	
Health Policy and Services Division							
Non-Hospital**	\$20,950,259	\$107,750,258	\$30,681,456	\$127,535,381	\$31,245,720	\$130,774,966	22.5%
Hospital	16,901,535	60,778,492	23,556,187	91,682,248	27,473,738	108,309,231	18.6%
Medicare Buy-In	2,408,814	8,623,051	2,485,019	9,163,051	6,819,961	9,403,051	1.6%
Indian Health Servs	0	20,538,915	0	21,538,915	0	21,588,915	3.7%
Subtotal Health Policy	\$40,260,608	\$197,690,716	\$56,722,662	\$249,919,595	\$65,539,419	\$270,076,163	46.5%
Senior Long-Term Care Division							
Nursing Homes***	\$28,224,661	\$98,768,341	\$27,940,976	\$119,725,299	\$28,398,608	\$126,463,481	21.8%
Home Based Services	5,112,868	18,346,475	6,719,679	24,777,577	7,298,781	27,052,562	4.7%
Community Waiver	3,853,334	13,852,981	5,559,771	20,500,630	5,865,192	21,739,038	3.7%
Institutional Reimbursement	0	13,849,204	0	11,188,837	0	11,449,343	2.0%
Subtotal Senior/Long-Term	\$37,190,863	\$144,817,001	\$40,220,426	\$176,192,343	\$41,562,581	\$186,704,424	32.1%
Addictive and Mental Disorders							
Mental Health****	\$14,960,489	\$50,730,906	\$16,082,466	\$71,007,270	\$17,098,575	\$75,908,334	13.1%
Chemical Dependency	0	0	161,549	4,244,168	148,697	5,454,905	0.9%
Subtotal AMDD	\$14,960,489	\$50,730,906	\$16,244,015	\$75,251,438	\$17,247,272	\$81,363,239	14.0%
Disability Services Division							
Developmental Disability*****	\$10,192,618	\$35,375,271	\$12,142,545	\$44,081,120 *	\$13,624,812	\$42,972,502	7.4%
Services							
Total	\$102,604,578	\$428,613,894	\$125,329,648	\$545,444,496	\$137,974,084	\$581,116,328	100.0%
2000 General Fund Base			\$102,604,578		\$102,604,578		
Compounded Annual Growth Rate			10.5%		10.4%		
2003 Biennium Increase Over Base Budget Expenditures					\$58,094,576	\$269,333,036	

*This information is based on fiscal 2000 expenditures and 2003 biennium appropriations in the statewide budget system.

**Non-hospital primary care expenditures include \$9.2 million in state special revenue from the pharmacy rebate program.

***Nursing home services include a \$350,000 annual contract for nurse aide testing.

****Mental health services do not include the supplemental appropriation requested in fiscal 2000.

*****Fiscal 2002 federal funds included a \$4.0 million biennial appropriation of additional federal authority.

Medicaid costs are entering an inflationary cycle nationally and Montana is no exception. Table 4 shows that the general fund appropriation is increasing at compounded annual growth rates of 10.5 and 10.4 percent, compared to increases of 2 to 4 percent in the 2001 biennium. General fund cost growth is accelerating despite the reduction in state matching rates from 27.84 percent in fiscal 2000 to 26.98 percent in fiscal 2003.

Medicaid Intergovernmental Transfer Programs

The legislature approved four Medicaid intergovernmental transfer programs for county funded facilities that provide hospital, nursing home, chemical dependency, and mental health Medicaid services. Final federal rules published January 12, 2001 govern Medicaid intergovernmental transfer payments made to non-state owned public facilities that provide Medicaid services. The rules establish an upper payment limit, require that no more than 60 percent of Medicaid matching funds be provided by local governments, and do not specify how federal Medicaid funds recouped through an intergovernmental transfer must be spent.

An intergovernmental transfer program can be used to raise reimbursement rates paid to county owned facilities. A county pays the state the non-federal share of Medicaid reimbursement for Medicaid eligible services provided by a

county funded facility. The state uses the county match to draw down federal Medicaid funds and returns a payment, including the county matching funds, to the county for Medicaid services.

The aggregate amount that can be paid under an intergovernmental program is based on an upper payment limit established in federal rule and measured across a class of facilities, such as nursing homes, for all Medicaid eligible services. The state can choose how much of the transfer payment a county may keep as part of the contract to authorize the intergovernmental transfer. The state can require counties to return part of the total payment as a condition of participation in the intergovernmental transfer.

Table 5 shows the intergovernmental transfer appropriations authorized by the legislature. In all cases, the legislature appropriated the funds as one-time payments or grants. The transfer income was not rolled into ongoing rate structures in case the federal rules are later amended. The legislature wanted to avoid potential cost shift to the general fund.

Service	2003 Biennium	
	County Funds	Total Funds
Nursing Homes	\$5,081,660	\$18,789,157
Hospitals	533,669	1,972,898
Chemical Dependency	507,000	1,617,386
Mental Health	<u>214,719</u>	<u>793,816</u>
Total	<u>\$6,337,048</u>	<u>\$23,173,257</u>

Nursing Home Intergovernmental Transfer Program

The largest Medicaid intergovernmental transfer program is for county funded nursing homes. The legislature appropriated the maximum amount possible given the upper payment limit constraint. If all counties that support nursing homes choose to participate at the maximum level, nursing home intergovernmental transfer payments would equal \$19 million over the biennium. The legislature anticipated that the state would allow participating counties to retain double the amount of their contribution and would require participating counties to transfer the remainder back to the state. Under optimum conditions:

- All counties would participate at the maximum allowable amount - providing \$5 million county funds over the biennium
- The state would pay counties \$19 million over the biennium
- Counties would keep \$10 million (doubling their funds) and return \$9 million to the state

The legislature appropriated \$4 million of the amount returned by counties to the state to offset general fund appropriated in the mental health Medicaid services program. The legislature appropriated the remainder (about \$5 million) that was returned by counties for one-time payments to all nursing homes.

All of the other intergovernmental transfer programs (hospitals, chemical dependency, and mental health) anticipate returning all Medicaid generated funds to participating counties.

Community Services for the Aged and Disabled and U.S. Supreme Court Olmstead Decision

In June 1999 the U.S. Supreme Court issued a decision in the case of Olmstead v. L.C. The U.S. Supreme Court responded to the fundamental question of whether it is discrimination to deny people with disabilities services in the most integrated setting appropriate. Based upon the Olmstead decision, states are required to provide community based services for persons with disabilities who would otherwise be entitled to institutional services when: 1) the state's treatment professionals determine that such placement is appropriate; 2) the affected persons do not oppose such treatments; and 3) the placement can be reasonably accommodated, taking into account the resources available to the state and the needs of others who are receiving state supported disability services. The court cautioned that nothing in existing federal law condones termination of institutional settings for persons unable to handle or benefit from community settings.

The legislature considered the impact of the U. S. Supreme Court decision in the Olmstead case on the operations of DPHHS. This decision affects several divisions within DPHHS. The most significant initial impacts are expected in the Disability Services, the Addictive and Mental Disorders, and the Senior and Long-Term Care Divisions. The budget approved by the legislature includes additional funding for those three divisions to further compliance with the

requirements of the Olmstead decision. Additional discussion of the Olmstead decision is included in the Disability Services Division.

TANF Block Grant and Childcare

The legislature significantly changed executive proposals for the disbursement of federal TANF block grant funds and the second phase of welfare reform, FAIM Phase II. Historically, Montana's TANF grant award has been \$43 - \$45 million per year. At the end of fiscal 2000, Montana had an accumulation of unexpended TANF funds in excess of \$26 million (please refer to Table 10 in the Human and Community Services Division narrative).

While Montana is among the states that have large TANF reserves, many states have not fully expended their allotment of federal TANF funds. As the end of initial Congressional authorization of the TANF block grant nears, the future of TANF funding is uncertain. It is currently unknown if Congress will allow states to maintain unexpended reserves, or if Congress will reauthorize funding for TANF at the current level when reauthorization is acted on in 2002.

Due to uncertainties surrounding reauthorization of the TANF grant, the legislature chose to fully appropriate the grant, including all reserve funds, to support activities that will essentially be one-time-only expenditures. These appropriations became part of a proposal known as FAIM Phase II-R. Legislative priorities for the appropriation of TANF funds in FAIM II-R included:

- Education and training leading to better paying jobs
- Childcare
- Transportation
- Intensive services needed by some families to move from welfare to work

For further information on items included in the \$31.8 million appropriated as part of the second phase of welfare reform, FAIM Phase II-R, please refer to Table 11 in the Human and Community Services Division narrative.

The legislature implemented reductions of approximately \$1.7 million in general fund TANF maintenance of effort and support for the food stamp issuance contract in the Human and Community Services Division. The legislature appropriated about \$1.0 million of the \$1.7 million general fund reduction as matching funds to draw down the maximum federal childcare funds that are available to the state under the Childcare Development Fund grant.

CHIP Federal Block Grant

The legislature appropriated sufficient general fund to maintain CHIP at the fiscal 2001 enrollment of 9,251, expand the CHIP program to include mental health services provided under MHSP, and maintain financial eligibility at 150 percent of the federal poverty level. The legislature did not accept the executive proposal to increase CHIP financial eligibility to 160 percent of the federal poverty level and the legislature did not increase funding to offset potential inflationary increases in the CHIP premium. Depending on the premium cost for CHIP that is determined for the 2003 biennium, the numbers of children enrolled will change.

CHIP is funded from a federal block grant requiring a state match based on a percent of the state Medicaid match rate. In the 2003 biennium, the CHIP state match rate is 18.99 percent in fiscal 2002 and 18.89 percent in fiscal 2003. The state has three years in which to spend each grant allotment and unexpended amounts revert to the federal government.

Table 6 shows the federal CHIP grant amounts, 2001 biennium expenditures, 2003 biennium appropriations, and block grant balances through the 2005 biennium if the CHIP program is maintained at fiscal 2003 levels. Administrative costs for CHIP are limited to 10 percent of expenditures.

Table 6
Allocation of CHIP Federal Grant
Department of Public Health and Human Services

Fiscal Year*	Total Grant	Estimated Reallocation of Reversion**	Admin.	CHIP Insurance	Mental Health Services	Total Costs	Net Annual Activity	Amount Reverted**	Carry Over Cumulative
1998	\$11,740,395	\$0	\$0	\$0	\$0	\$0	\$11,740,395	\$0	\$11,740,395
1999	11,684,948	0	59,936	538,004	0	597,940	11,087,008	0	22,827,403
2000	13,173,122	0	428,796	4,558,617	0	4,987,413	8,185,709	5,469,735	25,543,377
2001	15,169,315	4,425,898	1,163,395	9,619,509	2,014,445	12,797,349	6,797,864	1,620,893	30,720,349
2002	15,169,315	1,311,564	1,293,848	10,585,395	2,353,082	14,232,325	2,248,553	0	32,968,902
2003	15,169,315	0	1,300,886	10,597,915	2,410,940	14,309,741	859,574	0	33,828,476
2004	15,169,315	0	1,300,886	10,597,915	2,410,940	14,309,741	859,574	0	34,688,050
2005	15,169,315	0	1,300,886	10,597,915	2,410,940	14,309,741	859,574	0	35,547,625
2006	15,169,315	0	1,300,886	10,597,915	2,410,940	14,309,741	859,574	0	36,407,199
2007	15,169,315	0	1,300,886	10,597,915	2,410,940	14,309,741	859,574	0	37,266,774

*The grant amounts are based on federal fiscal year, while expenditures are based on the state fiscal year. Expenditures in fiscal 2001 are based on the May budget status report issued by DPHHS and fiscal 2002 and 2003 expenditures are based on amounts appropriated by the legislature, not including the pay plan. Costs after fiscal 2003 are based on the fiscal 2003 appropriation and are listed for information purposes only.

**The reallocation of reverted CHIP grant is the actual amount for fiscal 2001 and estimated for fiscal 2002. As of May 22, 2001 DPHHS had not estimated whether it would revert funds from the fiscal 2000 CHIP grant.

Grant amounts for fiscal 1998 through 2002 are based on actual amounts, while expenditures and reversions for fiscal 1998 through 2000 are based on actual amounts. Expenditures and reversions for fiscal 2001 are based on the May budget status report prepared by DPHHS, and expenditures for fiscal 2002 and 2003 are based on HB 2 appropriated amounts, not including the pay plan.

Depending on the ongoing federal grant amount received by the state, the fiscal 2002 CHIP appropriation will be slightly lower than the annual grant amount. As of late May 2001, DPHHS had not estimated whether it would revert federal funds from the fiscal 2000 CHIP grant.

Reversion of CHIP Grant

In fiscal 2000, Montana reverted \$5.5 million of unspent CHIP grant. Congress reallocated reverted grant amounts first to states that had fully expended their grants and second to states that had not. Montana was reallocated \$4.4 million of the reverted amount, which must be expended by September 30, 2002. The amount of estimated reversion from the 1999 grant amount is \$1.6 million and the estimated reallocation is \$1.3 million.

During the session, legislators requested information on potential expansions of the CHIP program, similar to the expansion to cover mental health services, in order to offset current general fund costs and to ensure that the CHIP grant was fully expended. Legislators reviewed information on expanding CHIP to cover physical health services fully funded from the general fund and provided to children who are developmentally disabled.

Information provided by DPHHS indicated that the number of developmentally disabled children also eligible for CHIP was quite small. However, the bigger barrier is the inability to establish rational criteria to ensure that only children who are developmentally disabled would have access to the services. The mental health expansion was limited to children who are diagnosed with a serious emotional disturbance; however, the designation of developmental disability is not always a medical condition or medical diagnosis. Therefore, any special or additional services provided to children who were

developmentally disabled would also have to be provided to all CHIP eligible children, negating any potential general fund savings sought by the legislature.

2001 Biennium Supplemental Appropriation

The legislature approved a \$60.4 million, including \$15.9 million general fund, supplemental appropriation for DPHHS. Table 7 shows the supplemental appropriation by program area.

Table 7 Supplemental Appropriation - 2001 Biennium				
Program Area Cost Over-Run	General Fund	Federal Funds	Total	Percent of Total
Mental Health Services	\$11,399,341	\$32,549,140	\$43,948,481	72.8%
Medicaid Physical Health Servcs	4,437,807	11,965,517	16,403,324	27.2%
Court Settlement	21,545	0	21,545	0.0%
Total	<u>\$15,858,693</u>	<u>\$44,514,657</u>	<u>\$60,373,350</u>	<u>100.0%</u>

Mental health services was the most significant component, accounting for nearly 3/4ths of the total supplemental. Cost over-runs in Medicaid physical health services were about 27 percent. A small general fund appropriation covered a court settlement. The supplemental appropriation and mitigation plans are discussed in more detail in the narrative for Health Policy and Services and the Addictive and Mental Disorders Divisions.

Supplemental Appropriation Mitigation Plan

The legislature accepted the executive plan to mitigate the 2001 biennium supplemental appropriation for DPHHS. The significant elements of the plan are:

- Eliminate partial hospitalization for all persons and eliminate case management and care coordination for children in the state-administered Mental Health Services Plan (MHSP) effective March 1, 2001
- Offer a reduced array of services (Children's Basic Mental Health Services) - predominantly in-home and community services - for children who are not eligible for CHIP effective March 1, 2001
- Fund the Basic Mental Health Services for children not eligible for CHIP with general fund currently supporting the state maintenance of effort for the federal TANF block grant retroactively from January 1, 2001 through the 2003 biennium
- Change out-of-state hospital reimbursement and several components of reimbursement to all hospitals in the physical health Medicaid program
- Offset \$4 million of Medicaid cost overruns with nursing home intergovernmental transfer revenue
- Reduce 2003 biennium cost projections for MHSP by \$3.8 million general fund
- Offset \$2.9 million of mental health services cost over-runs with increased Medicare reimbursement to the general fund for state hospital services
- Offset \$1.3 million of general fund mental health services costs with state special revenue alcohol tax funds from fiscal 2001 through the 2003 biennium
- Offset \$0.4 million of general fund with increased federal mental health block grant funds
- Appropriate \$2.6 million general fund and funding for 6.0 FTE for increased costs of the Montana State Hospital, community mental health services, and planning to implement a regional mental health system

Federal Poverty Level Index

Table 8 shows the 2001 federal poverty level index by family size for various levels of poverty. The index is published each calendar year and updated in February or March. The index has increased 2 to 5 percent annually over the last several years.

Throughout the DPHHS appropriation summary there are references to program financial eligibility based on an established level of poverty. The levels of poverty shown in Table 8 reflect most of the financial eligibility levels for DPHHS programs. CHIP financial eligibility is currently 150 percent of the federal poverty level. Financial eligibility for some Medicaid programs for low-income children and pregnant women is established at 133 percent and 100 percent of the federal poverty level. MHSP financial eligibility is established at 150 percent of the poverty level. Chemical dependency services are provided to individuals with incomes below 200 percent of the federal poverty level. Eligibility for cash assistance benefits in the Families Achieving Independence in Montana (FAIM) program is established at 95.5 percent of the federal poverty level.

Language

The department shall provide the following information by program to the Children, Families, Health and Human Services Interim Committee and to the Legislative Finance Committee by August 1, 2002:

- 1) rates paid by each program for comparable services; and
- 2) entry level and average hourly wage and benefit rates paid by community providers for direct care workers and group home employees.

The information must specify how the data was gathered, whether and how the department verified the data, and must be presented to allow evaluation among comparable services and jobs.

Funds appropriated, or indicated in legislative intent as having been appropriated, for grants or benefits and claims may be expended only as grants or benefits and claims. The office of budget and program planning may authorize a transfer of appropriation authority from grants or benefits and claims to another category of expenditure under one of the following conditions:

- 1) the department certifies to the Office of Budget and Program Planning that federal law or regulations require that funds appropriated in grants or benefits and claims must be expended in a different category of expenditure; or,
- 2) the department certifies to the Office of Budget and Program Planning that there will be savings if funds appropriated in grants or benefits and claims are transferred and expended in another category of expenditure.

The Office of Budget and Program Planning shall report to the Legislative Finance Committee on transfers approved subject to these two conditions.

Items [Health Policy and Services Division], [Senior and Long-Term Care Division], and [Addictive and Mental Disorders Division] include appropriations of state special revenue for provider rate increases funded from the interest income on the tobacco settlement trust fund provided for in Article XII, Section 4, of the Montana constitution. If the interest income on the tobacco settlement trust fund provided for in Article XII, Section 4, of the Montana constitution is insufficient to fully fund the state special revenue appropriations in items [Health Policy and Services Division], [Senior and Long-Term Care Division], and [Addictive and Mental Disorders Division], the legislature intends that the department find alternative funding sources to fully fund the provider rate increases. Alternative sources may include, but are not limited, to enhanced Medicaid intergovernmental transfer programs and transfers of general fund money from other appropriations.

Table 8
2001 Federal Poverty Index
Levels of Poverty by Family Size

Family Size	Poverty Level*----->			
	100%	150%	175%	200%
1	\$8,590	\$12,885	\$15,033	\$17,180
2	11,610	17,415	20,318	23,220
3	14,630	21,945	25,603	29,260
4	17,650	26,475	30,888	35,300
5	20,670	31,005	36,173	41,340
6	23,690	35,535	41,458	47,380
7	26,710	40,065	46,743	53,420
8	29,730	44,595	52,028	59,460
Each Additional Person	\$3,020	\$4,530	\$5,285	\$6,040

*The poverty level is updated annually and historically has increased from 2 to 5 percent.

Item [Operations and Technology Division] includes a reduction of general fund of \$158,038 in fiscal 2002 and \$158,038 in fiscal 2003. This reduction is the equivalent of a 15 percent reduction in fiscal 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item [Operations and Technology Division] includes a reduction of \$542,660 general fund in fiscal 2002, and \$544,550 general fund in fiscal 2003. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

Other Legislation

Major bills that affect DPHHS are summarized. Some of the bills are discussed in more detail in conjunction with the programs they impact.

House Joint Resolution 1 - HJR 1, recommended by the Legislative Finance Committee (LFC) from its 2001 interim mental health study, directed the LFC to undertake a study of public mental health services during the 2003 biennium. The study will be conducted by a subcommittee of the LFC, Legislative Audit Committee, Children, Families, Health, and Human Services, Law, Justice, and Indian Affairs, and State Administration, Public Retirement Systems, and Veterans' Affairs interim committees. The study will monitor the continued development of appropriate and effective community services to serve persons in the least restrictive environment, the cost-effective provision of services, and the use of best practices, including the evolution of more sophisticated case management, issues of commitment to community facilities, programs, and treatment and involuntary medication identified in the 1999-2000 interim process, and issues of mental health services with respect to corrections and veterans' affairs.

House Bill 5 - HB 5 appropriated funds for capital projects. DPHHS received three appropriations for improvements to institutions. The legislature appropriated \$300,000 long-range building funds for a cooling system for the Montana Mental Health Nursing Care Center. HB 5 also appropriates state special revenue from cigarette tax proceeds allocated to Montana Veterans' Home: The Montana Veterans' Home received \$1,179,274 for ongoing costs of construction of the special care unit and \$187,530 for other capital improvements; and \$290,250 was allocated to the Columbia Falls Veterans' Home for capital improvements. Originally, the executive requested \$41 million for construction of a new office building for DPHHS, which was not approved.

House Bill 10 - HB 10 appropriates oil overcharge money in biennial appropriations, including appropriations to the department of:

- \$15,000 for the Montana Food Bank Network to be used for transportation of food
- \$11,000 for grants to Area Agencies on Aging to provide transportation for seniors to nutrition sites
- \$229,000 for the Weatherization program
- \$300,000 of which \$90,000 is to be contracted to Energy Share to address home heating emergencies and \$210,000 allocated 30 percent to Energy Share and 70 percent to the Weatherization program

House Bill 38 - This bill provides that the department may purchase surplus state vehicles for purchase by recipients of TANF funded services and establishes criteria for vehicle purchase by TANF recipients. FAIM Phase II-R includes \$791,899 for transportation, which could be used to purchase vehicles.

House Bill 124 - HB 124 transferred administration of public welfare programs to DPHHS and provided that the program costs of both public welfare and child welfare functions be funded from the general fund instead of county funds. Due to the fiscal impact of HB 124, general fund was increased by \$28.6 million over the biennium and state special revenue was reduced by \$27.3 million.

House Bill 273 - This bill provided for the transfer of almost \$3.5 million of TANF funds to the affordable housing revolving loan fund and clarifies the use of these funds.

House Bill 353 - This bill provides that schools wishing to operate a school breakfast program may apply to the Office of Public Instruction for funding of start-up costs.

House Bill 456 - HB 456 expanded Medicaid eligibility to individuals under the age of 65 who require treatment of breast or cervical cancer or both, or for a pre cancerous condition of either the breast or cervix and who is not eligible under other mandatory medically needy category of eligibility. The individual must have been screened under the Montana breast and cervical health program established under Title XV of the Public Health Service Act. Since financial eligibility for the screening program is established at 200 percent of the federal poverty level, this category of Medicaid eligibility will also cover persons with incomes up to 200 percent of the federal poverty level. HB 456 appropriates \$129,270 general fund in fiscal 2002 and \$258,540 general fund in fiscal 2003 to match federal Medicaid funds for this program. HB 456 directs that the department consider using income from the tobacco settlement trust fund to pay for ongoing state Medicaid match for the program in its 2005 biennium budget request.

House Bill 468 - HB 468 created a hearing-screening program for newborn infants to provide early detection of hearing loss. HB 468 directs DPHHS to implement the program to encourage a hearing-screening test for all newborn infants to be completed before hospital discharge or no later than three months after birth. HB 468 appropriates \$100,000 over the biennium from the telephone line state special revenue that funds the Montana Telecommunications Access Program to purchase newborn hearing screening equipment.

House Bill 526 - This bill establishes a summer youth employment program. HB 2 includes language that if (based upon the department report to the Legislative Finance Committee in March 2002) there are unexpended TANF funds for which there is no expenditure plan, \$1.5 million of federal TANF funds are appropriated for this program.

House Bill 615 - This bill revised TANF maintenance of effort and reduced the statutory requirement for maintenance of effort from 77 percent to 75 percent. The reduction in the general fund maintenance of effort requirement is reflected in appropriations included in HB 2.

Senate Joint Resolution 2 - SJR 2, recommended by the LFC from its 2001 interim mental health study, supported the executive proposal to fund training for law enforcement and other persons who deal with persons with a serious and disabling mental illness. SJR 2 requested that DPHHS and the Department of Corrections coordinate and collaborate with the Department of Justice, the Montana Board of Crime Control, the Peace Officer Standards and Training Council, District Courts, courts of limited jurisdiction, the State Bar of Montana, the Community Mental Health Centers, and other mental health professionals to develop, coordinate, and integrate training on issues regarding mental illness and other co-occurring disorders that present themselves in persons at various stages of the criminal justice system. SJR found that such training is necessary to protect the rights of persons with mental illness, to provide appropriate treatment in the least restrictive setting, to protect all members of society, and to use the resources of local and state government in the most effective manner. The legislature appropriated \$135,270 in HB 2, including \$85,543 general fund and 1.0 FTE, to coordinate and structure such training.

Senate Joint Resolution 8 - SJR 8 requested a legislative interim study of the privatization of foster care and adoption services be completed by September 15, 2002. This resolution provides that the study may consider a number of items including payment and reimbursement issues and the impact of privatization on current state employees involved in foster care and adoption administration and services.

Senate Bill 77 - This bill revised laws governing public assistance, including the addition of provisions for a program of non-financial assistance as allowable within federal laws.

Senate Bill 82 - SB 82, recommended by the LFC from its 2001 interim mental health study, revised laws on public mental health system and managed care. SB 82 generally amended some provisions established by passage of SB 534 in the 1999 legislative session to deal with the end of the statewide mental health managed care act. In general SB 82:

- Rescinded the requirement for a Medicaid managed care community network to meet the financial solvency and licensure requirements for an insurance company
- Required DPHHS to ensure that prospective managed care contractors can bear the level of financial risk associated with a potential Medicaid managed care contract
- Changed the definition of a managed care community network so it clearly excludes contractors for Medicaid services reimbursed on a fee-for-service basis
- Repealed the requirements for DPHHS to incrementally implement mental health managed care and to hire a consultant for advice on mental health system requirements
- Moved, but did not change statutes governing state administered public mental health services and the Mental Health Oversight Advisory Council to more appropriate areas of the MCA

Senate Bill 107 - SB 107, recommended by the LFC from its 2001 interim mental health study, establishes use of two-way electronic audio-video communication to be considered a hearing in open court. The audio-video communication must operate so that the respondent or patient, the respondent's or patient's counsel, and the judge can see each other simultaneously and converse with each other, so that the respondent or patient and the respondent's or patient's counsel can communicate privately, and so that the respondent or patient and counsel are both present during the two-way electronic audio-video communication. The court may not allow use of audio-video communication if a respondent or patient, the respondent's or patient's counsel, or the professional person object to two-way electronic audio-video communication in lieu of a court hearing in person. Precommitment costs related to the use of two-way electronic audio-video communication in the county of commitment must be paid by the county in which the person resides at the time that the person is committed. The costs of the use of two-way electronic audio-video communication from the state hospital for a patient who is under a voluntary or involuntary commitment to the state hospital must be paid by the state. The legislature appropriated \$15,990 general fund over the biennium in HB 2 to implement SB 107.

Senate Bill 108 - SB 108, recommended by the LFC from its 2001 interim mental health study, established Advanced Practice Registered Nurses (APRN) (masters-level) with a clinical specialty in psychiatric mental health nursing as "professional persons" for the purposes of the mental health laws, which allows them to testify in court proceedings and to order medication in a mental health facility.

Senate Bill 116 - This bill revised child abuse and neglect laws and included provisions:

- Requiring an employee of an entity that contracts with the department to provide direct services to children report suspected cases of child abuse and neglect
- Allowing the department to assess reports of abuse and neglect and make a determination regarding the level of response required and timeframe within which action must be initiated (this is a modification to the requirement that the department investigate all reports of abuse and neglect)
- Clarifying language regarding payment for court ordered services including that the department must consent to the services and inform the court that resources are available to pay for services ordered by the court
- Defining transitional living programs and providing the department authority to administer those programs
- Specifying that the department shall require an applicant for a youth foster home license submit to a criminal and child protection background check

Senate Bill 132 - This bill: 1) provided for a safe haven for abandoned newborns; 2) provided that the department assume care, control, and temporary protective custody of the newborn; and 3) required the department establish a safe delivery program and the components of the program. The provisions of SB 132 are effective July 1, 2001 and terminate June 30, 2004.

Senate Bill 135 - SB 135, recommended by the LFC from its 2001 interim mental health study, revised mental health ombudsman laws. Some of the changes include:

- Prohibiting the Ombudsman from providing legal advice
- Requiring the Ombudsman to prepare an annual report
- Attaching the Ombudsman to the Governor's Office rather than the Mental Disabilities Board of Visitors

Senate Bill 170 - This bill modifies child abuse and neglect laws and clarifies some court practices and timelines applicable to actions on child abuse and neglect cases.

Senate Bill 264 - SB 264 amended statutes governing the allocation to DPHHS of liquor license, and beer and wine taxes to a state special revenue fund for the purposes of prevention and treatment of alcoholism. This act implemented one of the executive proposals to mitigate the 2001 biennium supplemental appropriation. The amendments include allowing the use of funds for:

- Treatment and prevention of chemical dependency
- Treatment of mental illness for persons who are determined to have a serious and disabling mental illness as well as chemically dependent
- Payment of services provided by for-profit state approved programs
- SB 264 also:
- Required DPHHS distribute at least \$1 million to counties prior to expending funds for persons with mental illnesses
- Limited expenditures to treat persons with a mental illness to \$1.3 million for the biennium
- Placed a sunset on use of funds to treat persons with a mental illness of July 1, 2003

House Bill 324 - HB 324 revised childcare licensing statutes to require the department to adopt rules for day-care centers that provide day care on an irregular basis. DPHHS must adopt rules for such day-care centers and issue a license to a person to receive children into a day-care center on an irregular basis if the person chooses to apply for licensure.

Senate Bill 338 - SB 338 made several changes to statutes that govern the CHIP program. The most significant change allowed DPHHS to make direct payments for CHIP services to health care providers and to establish its own fee-for-services schedule for such providers. The change will allow DPHHS to fund mental health services through the state administered Mental Health Services Plan (MHSP) for children eligible for CHIP and MHSP. The executive initially requested that financial eligibility for CHIP be raised from 150 percent of the federal poverty level to 160 percent and included funding in the DPHHS budget request. The legislature did not approve the change in financial eligibility.

Senate Bill 339 - This bill generally revised the law governing public assistance, including how the state and counties will work together to administer public assistance programs.

Senate Bill 442 - This bill established a revolving loan fund for low-income individuals. Loans not to exceed \$8,000 may be provided to recipients of TANF funded services for:

- Payment for job training expenses
- Payment for home repair work for weatherization and energy conservation
- Payment of short-term bills, excluding fines or bad debt
- Payment for business startup costs or business inventory costs, excluding construction
- Payment for gaps in loan payments for escrow costs, for the period before other loans are made, and for closing costs or costs for participating in other loan programs
- Providing assistance

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	435.95	12.00	3.25	451.20	12.00	3.25	451.20	451.20
Personal Services	16,488,993	(57,354)	570,541	17,002,180	43,807	704,570	17,237,370	34,239,550
Operating Expenses	8,185,024	(879,003)	18,425,986	25,732,007	(964,977)	4,033,901	11,253,948	36,985,955
Equipment	111,077	0	0	111,077	0	0	111,077	222,154
Capital Outlay	6,356	0	0	6,356	0	0	6,356	12,712
Grants	15,085,953	1,300,000	56,271	16,442,224	1,700,000	56,271	16,842,224	33,284,448
Benefits & Claims	55,908,900	3,757,415	59,537,314	119,203,629	3,757,415	60,673,771	120,340,086	239,543,715
Transfers	0	0	28,950	28,950	0	29,221	29,221	58,171
Debt Service	44,855	0	0	44,855	0	0	44,855	89,710
Total Costs	\$95,831,158	\$4,121,058	\$78,619,062	\$178,571,278	\$4,536,245	\$65,497,734	\$165,865,137	\$344,436,415
General Fund	19,601,819	(635,175)	2,773,615	21,740,259	(651,890)	3,090,614	22,040,543	43,780,802
State/Other Special	3,484,798	(127,065)	(3,356,606)	1,127	(107,482)	(3,376,187)	1,129	2,256
Federal Special	72,744,541	4,883,298	79,202,053	156,829,892	5,295,617	65,783,307	143,823,465	300,653,357
Total Funds	\$95,831,158	\$4,121,058	\$78,619,062	\$178,571,278	\$4,536,245	\$65,497,734	\$165,865,137	\$344,436,415

Program Description

The Human and Community Services Division is comprised of three bureaus: 1) Public Assistance; 2) Early Childhood Services; and 3) Intergovernmental Human Services.

The Public Assistance Bureau administers Montana's welfare reform initiative, known as FAIM (Families Achieving Independence in Montana). The bureau also provides eligibility services for Medicaid, CHIP (Children's Health Insurance Program), and food stamps.

The Early Childhood Bureau: 1) manages the funds which pay for childcare for FAIM participants and low-income working families; 2) contracts with 12 resource and referral agencies to administer childcare eligibility, provider recruitment, and technical assistance; and 3) administers the Child and Adult Care Food Program, which provides reimbursement to providers for the cost of meals served to eligible children.

The Intergovernmental Human Services Bureau administers: 1) the Community Services Block Grant, which is used by ten Human Resource Development Councils to provide a wide range of community-based human services; 2) the Low-Income Energy Assistance Program and weatherization program; 3) five other weatherization programs; 4) the Emergency Shelter Grants program; and 5) U. S. Department of Agriculture (USDA) commodities programs. The bureau stores and distributes USDA commodity foods to a wide range of recipients.

Statutory authority for the program is provided in Title 53, Chapter 2, MCA, and 45 CFR.

Program Narrative

The major program functions of the division and their funding are summarized in Table 9. Public assistance programs, including cash assistance, employment and training, and food stamps comprise the largest share of the division's funding. These three items, not including related administrative costs, comprise 61.0 percent of the division's funding. When eligibility determination costs for FAIM, Food Stamps, and Medicaid are added to the total for benefits and services, public assistance related programs comprise 66.1 percent of the funding for the division. The next largest function of the division is Early Childhood Services, including childcare and the Child and Adult Care Food Program. Early Childhood Services comprises 25.1 percent of the division's funding.

Table 9
Human and Community Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2000 Base Budget				Fiscal 2002 Appropriation				Fiscal 2003 Appropriation				Percent of	
	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	Division Total	Percent of Division Total
Administration - Division	\$116,083	\$0	\$222,491	\$338,574	\$99,093	\$0	\$199,127	\$298,220	\$98,484	\$0	\$200,754	\$299,238	0.2%	
Public Assistance														
Administration - Public Assistance	\$915,699	\$0	\$716,802	\$1,632,501	\$885,178	\$0	\$800,238	\$1,685,416	\$879,216	\$0	\$793,760	\$1,672,976	1.0%	
Administration - County	5,681,459	3,074,959	8,416,290	17,172,708	4,999,592	0	3,095,158	8,094,750	3,700,120	0	3,115,040	6,815,160	4.1%	
Cash Asst/Employment & Training	10,538,591	406,001	22,214,085	33,158,677	13,046,058	1,127	103,101,982	116,149,167	14,332,981	1,129	86,762,702	101,096,812	61.0%	
Subtotal Public Assistance	\$17,135,749	\$3,480,960	\$31,347,177	\$51,963,886	\$18,930,828	\$1,127	\$106,997,378	\$125,929,333	\$18,912,317	\$1,129	\$90,671,502	\$109,584,948	66.1%	
Percent of Total	33.0%	6.7%	60.3%	100.0%	15.0%	0.0%	85.0%	100.0%	17.3%	0.0%	82.7%	100.0%		
Energy and Commodity Assistance:														
Admin. - Energy and Commodities	\$32,702	\$3,838	\$3,052,195	\$3,088,735	\$31,878	\$0	\$3,868,223	\$3,900,101	\$31,933	\$0	\$3,873,379	\$3,905,312	2.4%	
Benefits - Energy and Commodities	76,000	0	9,761,480	9,837,480	76,085	0	11,417,608	11,493,693	76,086	0	10,588,192	10,664,278	6.4%	
Subtotal Energy and Commodity Asst.	\$108,702	\$3,838	\$12,813,675	\$12,926,215	\$107,963	\$0	\$15,285,831	\$15,393,794	\$108,019	\$0	\$14,461,571	\$14,569,590	8.8%	
Percent of Total	0.8%	0.0%	99.1%	100.0%	0.7%	0.0%	99.3%	100.0%	0.7%	0.0%	99.3%	100.0%		
Early Childhood Services:														
Administration - Childcare	\$0	\$0	\$326,246	\$326,246	\$0	\$0	\$378,704	\$378,704	\$0	\$0	\$380,248	\$380,248	0.2%	
Benefits - Childcare	2,357,070	0	16,875,455	19,232,525	2,701,468	0	21,391,734	24,093,202	3,020,207	0	25,131,355	28,151,562	17.0%	
Quality - Childcare	0	0	2,074,092	2,074,092	0	0	2,074,092	2,074,092	0	0	2,074,092	2,074,092	1.3%	
Head Start Collaborative	298	0	93,729	94,027	0	0	150,297	150,297	0	0	150,297	150,297	0.1%	
Child and Adult Care Food Program	0	0	9,214,167	9,214,167	0	0	10,551,856	10,551,856	0	0	10,954,400	10,954,400	6.6%	
Subtotal Early Childhood Services	\$2,357,368	\$0	\$28,583,689	\$30,941,057	\$2,701,468	\$0	\$34,546,683	\$37,248,151	\$3,020,207	\$0	\$38,690,392	\$41,710,599	25.1%	
Percent of Total	7.6%	0.0%	92.4%	100.0%	7.3%	0.0%	92.7%	100.0%	7.2%	0.0%	92.8%	100.0%		
Total Human and Community Serv. Div.	\$19,601,819	\$3,484,798	\$72,744,541	\$95,831,158	\$21,740,259	\$1,127	\$156,829,892	\$178,571,278	\$22,040,543	\$1,129	\$143,823,465	\$165,865,137	100.0%	
Percent of Total	20.5%	3.6%	75.9%	100.0%	12.2%	0.0%	87.8%	100.0%	13.3%	0.0%	86.7%	100.0%		

TANF

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 created the Temporary Assistance for Needy Families (TANF) block grant and replaced the former Aid to Families with Dependent Children (AFDC) program with the TANF program. This legislation marked the beginning of welfare reform at the federal level and the emphasis of moving families from welfare to work. Additionally, this legislation changed funding for welfare programs from an open ended entitlement program to a specified, limited amount of funding that would be available to the state as a block grant. Montana's welfare reform project, Families Achieving Independence in Montana (FAIM), began in February 1996 and FAIM became Montana's TANF program in February 1997.

The current authorization of the Temporary Assistance for Needy Families (TANF) grant expires in fiscal 2003 (September 2002) and the program will require reauthorization by Congress. It is unknown what will occur when Congress considers reauthorization during the summer and fall of 2002. However, the large surpluses of funds that have not been expended by many states may be an indication that unexpended funds will be reallocated and/or that TANF grants will be reduced when reauthorization occurs. Additionally, the reallocation of unexpended federal Children's Health Insurance Plan funds may be a further indication that unexpended federal funds will be reallocated to states that have fully expended their federal allocations.

Due to the uncertainty surrounding the continued availability of unexpended TANF funds and the precedence set by reallocation of federal CHIP funds, the legislature appropriated all available TANF funds in HB 2. Appropriations of TANF funds, as included in HB 2, would result in expenditure of all prior year unexpended federal TANF funds by the end of the 2003 biennium (Table 10).

Table 10
Temporary Assistance of Needy Families (TANF)
Summary of Federal Funds

Description	1997 Grant	1998 Grant	1999 Grant	2000 Grant	2001 Grant	2002 Grant*	2003 Grant*
<u>Summary of Federal Grant Funds</u>							
TANF Grant by State Fiscal Year	\$21,272,258	\$47,763,385	\$45,767,143	\$45,347,864	\$45,308,056	\$45,308,056	\$45,308,056
Less Fort Belknap Indian Community	0	0	0	0	(718,509)	(958,012)	(958,012)
Plus Performance Bonus	0	0	0	0	2,276,700	0	0
Revised TANF Grant by State Fiscal Year	<u>\$21,272,257</u>	<u>\$47,763,385</u>	<u>\$45,767,143</u>	<u>\$45,347,864</u>	<u>\$46,866,247</u>	<u>\$44,350,044</u>	<u>\$44,350,044</u>
Federal Expenditures by State Fiscal Year**	\$14,730,474	\$29,897,481	\$25,150,387	\$29,812,525	\$31,912,525	\$55,441,729	\$39,113,601
Transfer to CCDF	5,657,669	7,000,000	5,500,000	7,612,239	7,612,239	7,612,239	9,372,239
Transfer to Title XX	774,065	2,850,000	0	4,250,000	4,250,000	4,250,000	3,860,602
Total Federal Expenditures/Transfers	<u>\$21,162,208</u>	<u>\$39,747,481</u>	<u>\$30,650,387</u>	<u>\$41,674,764</u>	<u>\$43,774,764</u>	<u>\$67,303,968</u>	<u>\$52,346,442</u>
Annual Carry-over Funds	\$110,049	\$8,015,904	\$15,116,756	\$3,673,100	\$3,091,483	(\$22,953,924)	(\$7,996,398)
Cumulative Carry-over Funds		8,125,953	23,242,709	26,915,809	30,007,292	7,053,368	(943,030)
<u>Maximum Amount of Transfers:</u>							
Both Childcare and Title XX (30%)	\$6,381,677	\$14,329,015	\$13,730,143	\$13,604,359	\$14,059,874	\$13,305,013	\$13,305,013
Title XX (10% through FFY 2001, decreases to 4.25% unless changed by Congressional action.)	2,127,226	4,776,338	4,576,714	4,534,786	4,686,625	1,884,877	1,884,877

*Fiscal 2002 and 2003 expenditures are estimated to be equal to fiscal 2000 expenditures plus present law adjustments and new proposals.

Although FAIM Phase II-R is a biennial appropriation, this table includes a portion of the biennial appropriation in each fiscal year of the 2003 biennium.

**The TANF Block Grant authorization by Congress expires September 30, 2002. This table assumes that the TANF grant is reauthorized at the same level.

Fiscal 2001 expenditures increased by \$2.1 million the difference between the \$1.1 million expended in foster care in fiscal 2000 and the planned expenditure of \$3.2 million in fiscal 2001.

FAIM Phase II-R

Montana implemented welfare reform in February 1997. Those FAIM recipients who have continued to participate in the program since the beginning of welfare reform will reach the lifetime limit of 60 months of assistance in February 2002. As welfare reform continues and significant events such as reaching lifetime limits on assistance and federal reauthorization of TANF approach, the FAIM program has been modified by a second phase of welfare reform known as FAIM, Phase II-R.

The components of FAIM Phase II-R, shown in Table 11, are included in House Bill 2 as line items (except increased benefits/assistance which is not a line item in HB 2). The components of FAIM Phase II-R focus on the following priorities: 1) education and training programs targeted at jobs that provide higher wages than the traditional services industry jobs that typically employ many FAIM participants; 2) contracted services to address the need for assessments and intensive services for some families; 3) proposals to address housing needs of low-income families; and 4) proposals to address transportation needs of low-income families.

Table 11
FAIM Phase II-R

Item	Fiscal 2002	Fiscal 2003
Parents As Scholars	\$1,331,183	\$0
Tribal Projects	2,489,360	0
Tribal NEW	1,139,093	1,116,468
Non-Traditional Job Training	841,394	0
Other Non-Traditional Training Programs -Tribal	989,875	0
Other Non-Traditional Training Programs -Non-Tribal	494,937	0
High-Wage, High-Skill Training	494,937	485,108
Assessment Services - Intensive Case Management	1,092,974	1,071,267
Chemical Dependency Home	629,560	0
Learning Disabilities Contracted Services through OPI or Tribal Colleges	593,924	0
Mental Health Services	494,937	0
Family Drug Court	395,950	0
Low-Income Housing	3,464,561	0
Transportation	791,899	0
Additional Month Grant for Working Families	1,228,979	1,204,570
Emergency Supportive Services for Working Families	1,025,510	274,209
School Breakfast Program (HB 353)	178,178	0
Individual Development Accounts	138,742	135,986
Children as Scholars (Head Start)	1,979,874	0
TEAMS Reprocurement/Enhancements	989,875	485,107
Increased Benefits/Assistance*	3,061,322	2,745,226
Children's Trust Fund	<u>250,000</u>	<u>250,000</u>
Total	<u>\$24,097,064</u>	<u>\$7,767,941</u>

*The appropriation for this item is included in item 1 in HB 2.

The legislature restricted the use of some TANF funded items. HB 2 includes restricted appropriations of federal funds for Tribal Projects; Nontraditional Job Training - Tribal; High-Wage, High-Skill Training; and Adult Basic Education. The legislature approved the use of a portion of the funding in the Tribal Projects item for evaluations, feasibility studies, and data collection activities by individual or groups of Montana tribes.

Benefits and Grants

Table 12 summarizes appropriations for benefits and grants. In addition to FAIM Phase II-R, notable changes in appropriations for benefits include:

- Appropriation of \$103.3 million federal funds for the biennium for Food Stamps that were previously a non-budgeted expenditure
- Increased funding for energy and commodity assistance benefits of \$4.2 million for the biennium
- Increased funding for childcare benefits, totaling \$13.8 million for the biennium

Funding for grants remains relatively constant with an increase of \$3.0 million for the biennium, with Child and Adult Food Care program grants being the only significant change.

Table 12
Human and Community Services Division
Summary of Benefit and Grant Programs by Fund Source

Program/Benefits and Grants	Fiscal 2000 Actual			Fiscal 2002 Appropriation			Fiscal 2003 Appropriation		
	General Fund	State Special Revenue	Total Funds	General Fund	State Special Revenue	Total Funds	General Fund	State Special Revenue	Total Funds
Benefits									
TANF/FAIM									
Cash Assistance	\$2,550,130	\$304,859	\$22,706,612	\$0	\$0	\$24,098,704	\$0	\$0	\$23,848,704
Employment & Training	3,940,698	0	4,456,572	4,511,219	0	532,076	4,442,452	0	4,442,452
Community Services	265,392	0	274,396	265,392	0	9,004	265,392	0	274,396
Support Services	611,058	0	681,789	1,500,000	0	70,731	1,500,000	0	1,562,054
Other TANF/FAIM	53,793	0	84,643	51,673	0	1,248,411	51,693	0	51,693
Subtotal TANF/FAIM	\$7,421,071	\$304,859	\$28,204,012	\$6,328,284	\$0	\$25,958,926	\$6,259,537	\$0	\$30,179,299
Refugee Services	\$0	\$0	\$0	\$0	\$0	\$44,500	\$0	\$0	\$44,500
Food Stamp Employ & Training	132,765	27,084	440,985	265,159	54,092	561,487	265,159	54,092	880,738
Food Stamps	0	0	0	0	0	51,652,161	0	0	51,652,161
Energy and Commodity Assistance									
BPA	0	0	222,749	0	0	288,580	0	0	288,566
Reach	0	0	0	0	0	491,408	0	0	245,659
CSFP	0	0	0	0	0	235,203	0	0	235,152
Food Distribution	0	0	1,171,405	0	0	1,429,469	0	0	1,778,561
Emerg. Shelter Services	0	0	446,161	0	0	446,167	0	0	1,431,055
Weatherization	0	0	1,306,119	0	0	1,637,630	0	0	1,637,645
Low-income Energy Assist.	0	0	6,193,524	0	0	6,981,168	0	0	6,411,199
Comm. Svc. Block Grant	0	0	2,360,054	0	0	2,400,225	0	0	2,400,456
Other Energy and Commodity	97,534	0	128,052	97,152	0	30,074	97,142	0	127,256
Subtotal Energy/Commodity	\$97,534	\$0	\$11,828,064	\$97,152	\$0	\$14,037,076	\$97,142	\$0	\$13,223,084
Childcare	2,344,805	0	15,435,839	2,690,651	0	17,611,293	3,009,317	0	24,360,304
Total Benefits	\$9,996,175	\$331,943	\$55,908,900	\$9,381,246	\$54,092	\$119,203,629	\$9,631,155	\$54,092	\$120,340,086
Grants									
TANF/FAIM									
Refugee Services	\$0	\$0	\$346,538	\$142,990	\$29,047	\$261,578	\$142,990	\$29,047	\$433,615
Child and Adult Food Care	0	0	87,077	0	0	0	0	0	0
Childcare discretionary	0	0	8,849,912	0	0	10,149,912	0	0	10,549,912
Childcare Quality	0	0	3,747,053	0	0	3,747,053	0	0	3,747,053
Headstart	0	0	2,035,382	0	0	2,035,382	0	0	2,035,382
Subtotal Grants	\$0	\$0	\$15,085,953	\$142,990	\$29,047	\$16,270,187	\$142,990	\$29,047	\$16,670,187
Total Grants	\$0	\$0	\$15,085,953	\$142,990	\$29,047	\$16,442,224	\$142,990	\$29,047	\$16,842,224

Funding

The Human and Community Services Division has historically been funded by a combination of general fund, state special revenue (county reimbursements), and federal funds. General fund provides: 1) Maintenance of Effort (MOE) for Temporary Assistance for Needy Families (TANF) and Childcare Development Fund (CCDF) grants; and 2) matching funds for federal programs including food stamp and Medicaid programs.

Table 13
Human and Community Services Division Funding

Fund Source	Fiscal 2000 Actual	Legislative Appropriation Fiscal 2002	Fiscal 2003	Percent of Total
General Fund	\$19,601,819	\$21,740,259	\$22,040,543	13.3%
Percent of Total	20.5%	12.2%	13.3%	
State Special Revenue				
Food Stamp Recoupment Act	\$100,000	\$1,127	\$1,129	0.0%
County Reimbursements	3,074,959	0	0	0.0%
FAIM Financial County	309,839	0	0	0.0%
Subtotal State Special Revenue	\$3,484,798	\$1,127	\$1,129	0.0%
Percent of Total	3.6%	0.0%	0.0%	
Federal Funds				
Food Stamp Administration	\$554,534	\$52,342,563	\$52,336,131	31.6%
TANF Benefits	20,856,570	44,745,194	28,417,011	17.1%
Discretionary Childcare	12,171,168	15,254,287	18,262,908	11.0%
Child Nutrition	9,214,167	10,554,441	10,957,002	6.6%
Cost Allocation	8,988,391	8,252,683	8,248,237	5.0%
LIEAP Block Grant Administration	6,473,164	7,277,333	6,698,893	4.0%
Childcare Matching	3,589,753	5,071,365	5,802,365	3.5%
Childcare Mandatory/MOE	3,142,626	3,140,175	3,140,175	1.9%
CSBG Administration	2,558,022	2,601,973	2,602,930	1.6%
Food Distribution Federal Expense	1,499,066	1,835,313	1,837,871	1.1%
Weatherization Benefits	1,403,353	1,773,358	1,773,818	1.1%
Food Stamp Employment/Train. 100	407,014	933,216	944,291	0.6%
Emergency Shelter	456,102	456,404	456,426	0.3%
Childcare Administration	326,246	381,151	382,705	0.2%
CSFP	0	335,000	335,000	0.2%
BPA	231,591	303,630	303,663	0.2%
Reach	0	500,000	250,000	0.2%
Food Stamp Employment/Training	211,507	239,222	239,702	0.1%
Emergency Food Assistance 100	152,387	170,689	170,823	0.1%
Headstart	93,729	150,297	150,297	0.1%
TANF Administration	61,002	144,750	145,356	0.1%
Medicaid Administration	133,451	120,357	120,981	0.1%
Refugee Social Service	87,077	77,695	77,695	0.0%
Refugee Resettlement	13,772	55,404	55,555	0.0%
Elderly Refugee Grant	0	44,500	44,500	0.0%
Aging Supportive Service Grant	36,152	35,317	35,379	0.0%
TANF Evaluation	37,697	33,575	33,751	0.0%
Title XX Social Services Block Grant	46,000	0	0	0.0%
Subtotal Federal Funds	\$72,744,541	\$156,829,892	\$143,823,465	86.7%
Percent of Total	75.9%	87.8%	86.7%	
Total Funds	\$95,831,158	\$178,571,278	\$165,865,137	100.0%
Increase Above Base		86.3%	73.1%	
Annual Rate of Change from Base		36.5%	20.1%	

As illustrated in Table 13, general fund provides 12.2 percent of the division's funding in fiscal 2002 and 13.3 percent in fiscal 2003, a decrease from fiscal 2000 when general fund comprised 20.5 percent of the support for the division. General fund support for the division was impacted primarily by:

- HB124 was passed by the legislature and provides that public assistance programs be funded with general fund rather than state special revenue from counties. Due to the fiscal impact of HB 124, general fund in this division was increased by \$3,852,988 and \$4,006,121 in fiscal 2002 and 2003, respectively, and state special revenue was reduced by \$3,356,606 and \$3,376,187
- The legislature approved a reduction in the TANF MOE from 77 percent to 75 percent (HB 615) and reduced the general fund appropriation for TANF MOE by \$345,068 in fiscal 2002 and \$395,555 in fiscal 2003
- The legislature reduced general fund (\$397,000 annually) appropriated for TANF MOE because the Fort Belknap Indian Community implemented a Tribal TANF plan that, under federal regulations, triggers a reduction in Montana's TANF MOE requirement
- The legislature appropriated general fund totaling \$1 million for the biennium to draw all available federal childcare matching funds

The decline in general fund as a percent of total funds is due primarily to increases in

federal funds, the most significant of which are the following:

- Food Stamp benefits, which were previously off budget, must now be appropriated due to a change in the mechanism to distribute food stamp benefits. Federal funds of \$103.3 million are appropriated for food stamp benefits
- Appropriation of all current and prior year TANF funds included \$38.4 million appropriated for new or expanded

services in FAIM Phase II-R

- Funding for childcare and Child and Adult Food Care Program services were increased \$16.3 million
- Funding for energy and commodity assistance programs were increased \$4.2 million

Historically, counties shared in the costs of human services programs as outlined in 53-2-304 MCA. Those counties that chose to be state-assumed levied 9 mills and forwarded the proceeds from those mill levies to the state. Non-assumed counties were obligated by statute to reimburse the state for: 1) 50 percent of the salaries, travel, and allocated direct and indirect administrative costs of the cash assistance and emergency assistance program up to the dollar amount the county paid as its share of these costs in 1996; and 2) the non-federal share of salaries, travel, and allocated direct and indirect administrative costs attributable to public assistance programs other than cash assistance and emergency assistance. HB 124 changed the funding for public assistance costs and provides that these costs be funded from the general fund. Due to the fiscal impact of HB 124, general fund in this division was increased by \$3,852,988 and \$4,006,121 in fiscal 2002 and 2003, respectively and state special revenue was reduced by \$3,356,606 and \$3,376,187.

Federal funds provide more than 85 percent of the funding for the division. The Food Stamp, TANF, Childcare and Child Nutrition programs are the four largest sources of federal funding for the division. Each of these programs provides Montana more than \$10 million in federal funds. Combined, these four programs, provide more than 75 percent of the federal funds for this division.

Other Legislation

Several bills passed by the 2001 legislature, which will have significant impacts on services or operations of the division, are summarized below.

House Bill 38 - This bill provides that the department may purchase surplus state vehicles for purchase by recipients of TANF funded services and establishes criteria for vehicle purchase by TANF recipients. FAIM Phase II-R includes \$791,899 for transportation, which could be used to purchase vehicles.

House Bill 124 - HB 124 changed the funding for public assistance costs and provides that these cost be funded from the general fund. Due to the fiscal impact of HB 124, general fund in this division was increased by \$3,852,988 and \$4,006,121 in fiscal 2002 and 2003, respectively, and state special revenue was reduced by \$3,356,606 and \$3,376,187.

House Bill 273 - This bill provides for the transfer of almost \$3.5 million of TANF funds to the affordable housing revolving loan fund and clarifies the use of these funds.

House Bill 353 - This bill provides that schools wishing to operate a school breakfast program may apply to the Office of Public Instruction for funding of start-up costs.

House Bill 526 - This bill establishes a summer youth employment program. HB 2 includes language that if (based upon the department report to the Legislative Finance Committee in March 2002) there are unexpended TANF funds for which there is no expenditure plan, \$1.5 million of federal TANF funds are appropriated for this program.

House Bill 615 - This bill revised TANF maintenance of effort and reduced the statutory requirement for maintenance of effort from 77 percent to 75 percent. The reduction in the general fund maintenance of effort requirement is reflected in appropriations included in HB 2.

Senate Bill 77 - This bill generally revised laws governing public assistance, including the addition of provisions for a program of non-financial assistance as allowable within federal laws.

Senate Bill 339 - This bill generally revised the law governing public assistance, including how the state and counties will work together to administer public assistance programs.

Senate Bill 442 – This bill establishes a revolving loan fund for low-income individuals. Loans not to exceed \$8,000 may be provided to recipients of TANF funded services for:

- payment for job training expenses
- payment for home repair work for weatherization and energy conservation
- payment of short-term bills, excluding fines or bad debt
- payment for business startup costs or business inventory costs, excluding construction
- payment for gaps in loan payments for escrow costs, for the period before other loans are made, and for closing costs or costs for participating in other loan programs
- providing assistance

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				4,988					108,428
Vacancy Savings				(447,137)					(450,240)
Inflation/Deflation				(6,570)					(4,177)
Fixed Costs				15,229					17,759
Total Statewide Present Law Adjustments				(\$433,490)					(\$328,230)
DP 8 - Refugee Resettlement	1.00	0	0	43,116	1.00	0	0	43,267	43,267
DP 9 - Child&Adult Food Care Program	3.00	0	0	1,429,346	3.00	0	0	1,829,803	1,829,803
DP 59 - TANF and MOE Present Law Adjustment	6.00	0	0	2,657,942	6.00	0	0	2,658,937	2,658,937
DP 61 - IHSB Present Law Adjustment	1.00	0	0	1,022,955	1.00	0	0	1,022,955	1,022,955
DP 63 - Food Stamp Adjustments	1.00	22,357	0	545,227	1.00	24,374	0	547,394	571,768
DP 69 - County TANF, Food Stamp, and Medicaid	0.00	149,248	0	152,987	0.00	112,350	0	115,451	227,801
DP 78 - Public Assistance Administration	0.00	75,519	0	76,022	0.00	65,299	0	65,892	131,191
DP 202 - SABHRS System Adjustment	0.00	(697,028)	0	(697,028)	0.00	(697,028)	0	(697,028)	(1,394,056)
DP 696 - Data Network Fixed Cost Reduction	0.00	(170)	0	(315)	0.00	(170)	0	(315)	(485)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(3,363)	0	(7,948)	0.00	(3,374)	0	(7,975)	(11,349)
DP 699 - Vacancy Savings at 4 Percent	0.00	(57,985)	(40,331)	(116,003)	0.00	(58,248)	(40,536)	(116,573)	(215,357)
Total Other Present Law Adjustments				\$4,554,548					\$4,864,475
Grand Total All Present Law Adjustments				\$4,121,058					\$4,536,245

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 8 - Refugee Resettlement - The legislature approved \$86,000 federal funds for the biennium and 1.0 FTE grade 15, Human Service Specialist to manage the Refugee Resettlement Program.

DP 9 - Child & Adult Food Care Program - The legislature approved \$3.3 million additional federal funds for the biennium for the Child and Adult Food Care Program. This funding will provide: 1) an adjustment for an increase of 2.6 percent in the USDA reimbursement for benefits; 2) an increase in the number of meals served (630,000 additional meals

by the end of the biennium); and 3) additional staff needed due to increased federal requirements for the number of times the state is required to visit childcare centers. The Child and Adult Food Care program is 100 percent federally funded.

DP 59 - TANF and MOE Present Law Adjustment - The legislature approved \$5.3 million federal TANF authority to: 1) fund 6.0 FTE to complete fiscal and contract monitoring, work participation validation, and implementation of FAIM Phase II; and 2) annualize funding of TANF cash assistance benefits entirely from federal funds.

DP 61 - IHSB Present Law Adjustment - The legislature approved slightly over \$2.0 million federal funds for the biennium to support weatherization, energy assistance, and commodity distribution grants.

DP 63 - Food Stamp Adjustments - The legislature approved: 1) \$46,731 general fund to purchase contracted services; and 2) \$1.1 million federal funds to support 1.0 FTE, food stamp employment and training (\$900,000), and the food stamp nutrition education program (\$80,000). Contracted services are used to provide policy interpretation and monitor accuracy and efficiency of the food stamp program.

DP 69 - County TANF, Food Stamp, and Medicaid - The legislature approved \$261,598 general fund and \$268,438 federal funds for overtime and rent cost increases in assumed counties.

DP 78 - Public Assistance Administration - The legislature approved \$140,000 general fund and \$142,000 federal funds for increased administrative costs (overtime, contracted services, and training costs) related to program implementation, policy interpretation, and program management.

DP 202 - SABHRS System Adjustment - The legislature approved a biennial reduction of \$1.4 million general fund and \$1.4 million federal funds. This adjustment is necessary because the expenditures and funding in the base budget were overstated due to a SABHRS system error that allowed an incorrect transaction to post.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals		Fiscal 2002				Fiscal 2003				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 58 - Early Childhood Services Caseload Adjustment										
02	3.00	0	0	3,186,690	3,186,690	3.00	0	0	6,195,632	6,195,632
DP 92 - Commodity Supplemental Food Program										
02	1.00	0	0	335,000	335,000	1.00	0	0	335,000	335,000
DP 93 - REACH Grant										
02	0.00	0	0	500,000	500,000	0.00	0	0	250,000	250,000
DP 94 - Refugee Elderly Grant										
02	0.00	0	0	44,500	44,500	0.00	0	0	44,500	44,500
DP 95 - Fort Belknap Indian Comm. TANF Prog										
02	0.00	0	0	(958,012)	(958,012)	0.00	0	0	(958,012)	(958,012)
DP 200 - Human and Community Services Div Leased Vehicles										
02	0.00	0	0	0	0	0.00	0	0	0	0
DP 203 - DOE Weatherization Training Grant										
02	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
DP 204 - LIEAP Energy Contingency Award										
02	0.00	0	0	579,565	579,565	0.00	0	0	0	0
DP 205 - Childcare Federal Matching Funds										
02	0.00	0	0	1,483,918	1,483,918	0.00	0	0	2,214,918	2,214,918
DP 206 - Food Stamp Cash Benefits										
02	0.00	0	0	51,652,161	51,652,161	0.00	0	0	51,652,161	51,652,161
DP 425 - House Bill 124 Revise Local Government Funding										
02	0.00	3,852,988	(3,356,606)	0	496,382	0.00	4,006,121	(3,376,187)	0	629,934
DP 613 - Reduced TANF MOE - FBIC Tribal TANF Plan										
02	0.00	(397,000)	0	0	(397,000)	0.00	(397,000)	0	0	(397,000)
DP 614 - Childcare Match - TANF MOE Reduction (FBIC)										
02	0.00	0	0	0	0	0.00	133,000	0	0	133,000
DP 616 - FAIM Phase II Revised										
02	0.00	0	0	24,097,064	24,097,064	0.00	0	0	7,767,941	7,767,941
DP 617 - Reduce TANF Maintenance of Effort to 75 percent										
02	0.00	(345,068)	0	0	(345,068)	0.00	(395,555)	0	0	(395,555)
DP 618 - Childcare Match - TANF MOE Reduction to 75 Percent										
02	0.00	345,068	0	0	345,068	0.00	395,555	0	0	395,555
DP 619 - Reduce Costs of Food Stamp Issuance Contract Base										
02	0.00	(27,421)	0	0	(27,421)	0.00	(107,831)	0	0	(107,831)
DP 620 - Childcare Match - Reduction Food Stamp Issuance										
02	0.00	0	0	0	0	0.00	135,252	0	0	135,252
DP 623 - Shift Funding to Child Support Enforcement										
02	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
DP 625 - Children's Mental Health Funded with TANF MOE										
02	0.00	(647,952)	0	0	(647,952)	0.00	(671,928)	0	0	(671,928)
DP 626 - TANF - 2003 Biennium Spending Compared to Base										
02	0.00	0	0	(1,818,833)	(1,818,833)	0.00	0	0	(1,818,833)	(1,818,833)
DP 689 - FTE Reduction										
02	(0.75)	0	0	0	0	(0.75)	0	0	0	0
Total	3.25	\$2,773,615	(\$3,356,606)	\$79,202,053	\$78,619,062	3.25	\$3,090,614	(\$3,376,187)	\$65,783,307	\$65,497,734

New Proposals

DP 58 - Early Childhood Services Caseload Adjustment - The legislature approved approximately \$9.4 million federal funds for the biennium to support: 1) increased spending of childcare discretionary funds; 2) 3.0 FTE for program administration; and 3) the head start collaboration grant. This increase is funded from: 1) an expected increase in the Childcare Development Fund (CCDF) discretionary funds; 2) transfers from the TANF Block Grant to the CCDF; and 3) a federal grant for head start collaboration projects.

DP 92 - Commodity Supplemental Food Program - The legislature approved \$670,000 federal funds for the biennium to fund the new U.S. Department of Agriculture (USDA) Commodity Supplemental Food Program (CSFP). This funding will provide: 1) 1.0 FTE to assist in the ordering, record keeping, federal reporting, and monitoring of the program; 2) warehousing and delivery cost; and 3) funds for contracting with area agencies on aging and/or local food banks to determine eligibility and distribute individual food packages. The department projects this grant will provide 7,500 low-income elderly persons and children with commodity food packages.

DP 93 - REACH Grant - The legislature approved \$750,000 federal funding for the biennium to continue the REACH Grant which provides home weatherization, client education, and cost effective retrofits or repairs to space or water heating devices. In addition to benefits, the REACH grant funds will also support travel costs and an evaluation contract with an outside agency as required by the grant. The department estimates that a minimum of 300 low-income households would be served with this new grant.

DP 94 - Refugee Elderly Grant - The legislature approved \$89,000 federal funds for the biennium to support the Elderly Refugee Grant, which serves low-income elderly Hmong and Russian refugees.

DP 95 - Fort Belknap Indian Comm. TANF Program - The legislature approved a reduction in federal TANF funding by \$1.9 million for the biennium. As of October 2000, the Fort Belknap Indian Community administers its own federally approved TANF plan. Montana's TANF grant will be reduced by the amount of the Fort Belknap Indian Community's TANF grant, which is \$958,012 annually.

DP 200 - Human and Community Services Division Leased Vehicles - The legislature approved the lease of 32 passenger vehicles through the state motor pool. Two of the vehicles will support the Early Childhood Services contract monitors, who travel throughout the state monitoring early childhood services providers. The remaining 30 vehicles will be assigned throughout the state to support the outreach efforts for eligibility determination in the TANF, Food Stamp, and Medicaid programs within the Public Assistance Bureau. This proposal is cost neutral with corresponding offsetting reductions in related expenditure categories. The cost of in-state personal car mileage is reduced and the cost of leased vehicles is increased resulting in no change in costs or funding.

DP 203 - DOE Weatherization Training Grant - The legislature approved \$200,000 federal funds for the biennium for the Department of Energy weatherization training grant. The activities funded by this grant are intended to improve the technical skills of grantees and sub grantees who administer the DOE Weatherization Assistance Program in the Denver region, which includes Montana.

DP 204 - LIEAP Energy Contingency Award - The legislature approved \$579,565 federal funds in the first year of the biennium for increase in the Low Income Energy Assistance (LIEAP) grant awarded to states in response to sharp increases in heating fuel costs. With this funding the department will: 1) adjust the energy assistance matrix for LIEAP to provide the additional funds to low-income households; and 2) increase funding for weatherization to decrease fuel consumption in low-income households. The department estimates that approximately 15,500 additional low-income households will receive energy assistance and 29 additional households will receive weatherization resulting in reduced energy costs with the funds from this grant.

DP 205 - Childcare Federal Matching Funds - The legislature approved the addition of \$1,483,918 for fiscal 2002 and \$2,214,918 for fiscal 2003 of federal childcare funds that are available to the state if the state provides the required matching funds.

DP 206 - Food Stamp Cash Benefits - The legislature approved \$103.3 million federal funds for the biennium for food stamp benefits. Historically, the department has received an appropriation only to administer and contract with an independent provider who distributed food stamp coupons to qualifying low-income families. The state is required by federal mandate to have in place an electronic benefit transfer (EBT) system. When food stamp benefits were issued as a coupon no actual cash was drawn from the federal government and deposited in the state treasury. Therefore, statute did not require these benefits to be appropriated. Instead they were recorded on the state accounting records as a non-budgeted transaction. With the new EBT system, cash will be drawn from the federal government and placed in the state treasury. Statute requires there be an appropriation.

DP 425 - House Bill 124 Revise Local Government Funding - This decision package reflects the funding change necessary due to the provisions of HB124. HB124 was passed by the legislature and provides that public assistance programs be funded with general fund rather than state special revenue from counties. Due to the fiscal impact of HB 124, general fund in this division was increased by \$3,852,988 and \$4,006,121 in fiscal 2002 and 2003, respectively, and state special revenue was reduced by \$3,356,606 and \$3,376,187.

DP 613 - Reduced TANF MOE - FBIC Tribal TANF Plan - The legislature reduced general fund support for the federal TANF block grant, maintenance of effort by \$397,000 per year. Per federal regulation, the state TANF MOE requirement is reduced when a tribe implements a Tribal TANF plan. The Fort Belknap Indian Community (FBIC) implemented a Tribal TANF plan in October, 2000.

DP 614 - Childcare Match - TANF MOE Reduction (FBIC) - The legislature appropriated \$133,000 general fund for fiscal 2003 so that additional federal childcare matching funds available to the state may be obtained. The general fund is available because the legislature approved a reduction in the TANF maintenance of effort due to the implementation of a tribal TANF plan by the Fort Belknap Indian Community.

DP 616 - FAIM Phase II Revised - The legislature approved a proposal to expend an additional \$31.8 million federal TANF funds during the 2003 biennium. The spending plan approved by the legislature will result in the expenditure of all prior year federal TANF funds during the biennium. The federal TANF block grant was authorized by Congress through September 2002. Congressional reauthorization of the TANF grant will probably occur in the summer or fall of 2002. At this time, it is unknown whether Congress will allow states to maintain the reserve of unexpended TANF funds that have accumulated or if the TANF block grant funding will be reauthorized at the current funding level.

DP 617 - Reduce TANF Maintenance of Effort to 75 percent - The legislature approved general fund reductions of \$345,068 in fiscal 2002 and \$395,555 in fiscal 2003 reducing the TANF maintenance of effort requirement from 77 percent to 75 percent. Legislation is needed prior to implementation of this change (see HB 615 under other legislation section).

DP 618 - Childcare Match - TANF MOE Reduction to 75 Percent - The legislature appropriated general fund of \$345,068 in fiscal 2002 and \$395,555 in fiscal 2003 as match for federal childcare funds that are available if the state can provide the required general fund match. The general fund appropriated in this decision package is available because the legislature approved a reduction in the general fund TANF maintenance of effort from 77 percent to 75 percent.

DP 619 - Reduce Costs of Food Stamp Issuance Contract Base - The legislature reduced the general fund for the food stamp issuance contract included in the base budget by \$27,421 in fiscal 2002 and \$107,831 in fiscal 2003. The department will implement electronic benefit transfer for food stamp benefits in 2002, which will replace the issuance of food stamp coupons. The food stamp issuance contract is partially removed from the budget to reflect the phase-in of electronic issuance of food stamp benefits during the 2003 biennium.

DP 620 - Childcare Match - Reduction Food Stamp Issuance - The legislature appropriated general fund of \$135,252 in fiscal 2003 to obtain additional federal childcare matching funds. The general fund is available because the food stamp issuance contract included in the base budget will be less in the 2003 biennium due to the phase-in of issuance of food stamp benefits by electronic benefit transfer.

DP 623 - Shift Funding to Child Support Enforcement - The legislature approved a plan submitted by the department that shifts general fund from various divisions to the Child Support Enforcement Division. This partially reinstates a reduction in FTE in the Child Support Enforcement Division that was approved by the legislature.

DP 625 - Children's Mental Health Funded with TANF MOE - The legislature approved creation of a program that provides limited mental health services to children. The program will be a separate state program funded by TANF maintenance of effort funds. The legislature approved the movement of funds to support the children's program from the Human and Community Services Division to the Addictive and Mental Disorders Division.

DP 626 - TANF - 2003 Biennium Spending Compared to Base - The TANF spending plan as presented by the department and approved by the legislature contains variances from federal expenditures as included in the base budget. This decision package reflects a decrease in some expenditures that were made from federal funds in the fiscal 2000 base that are not funded with federal TANF funds in the spending plan approved by the legislature for the 2003 biennium. For example, \$1,561,147 of systems costs were funded from federal TANF funds in fiscal 2000. The department estimates that this will decrease to \$1,006,158 per year in the 2003 biennium, a reduction of \$554,989 per year in federal expenditures. This reduction and other similar reductions are included in this decision package. Table 14 summarizes the annual reductions included in this decision package.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

The department shall report to the Legislative Finance Committee and the Interim Committee on Children, Families, Health, and Human Services at every meeting of each committee:

1. The actual amount of federal Temporary Assistance for Needy Families (TANF) block grant funds expended in the current biennium;
2. The actual amount of TANF block grant maintenance of effort funds that have been expended in the current biennium;
3. The balance of previous fiscal years TANF block grant funds that remain unexpended; and
4. The balance of the current fiscal year federal TANF block grant funds that remains unexpended.

The department shall utilize unexpended previous year federal TANF block grant funds to provide benefits and services that meet the federal definition of assistance. Current year federal TANF block grant funds must be used to fund benefits and services that meet the federal definition of assistance only after all available previous years' federal TANF block grant funds have been expended.

The Office of Budget and Program Planning may proportionally reduce the funding it items [FAIM Phase II-R items] if any of the following conditions exist:

1. The department certifies to the Office of Budget and Program Planning that the balance of unexpended TANF funds on June 30, 2001 is less than \$30 million;
2. Actual or projected cash assistance expenditures are greater than \$24,067,328 in fiscal 2002 or \$23,763,854 in fiscal 2003;
3. The amount of TANF grant funds awarded to Montana by Congress is reduced below the level anticipated by the legislature; or
4. The department certifies to the Office of Budget and Program Planning that the reduction is necessary in order to maintain public assistance programs that were supported by federal TANF and state TANF maintenance of effort funds in fiscal year 2001.

If the TANF block grant funds report given at the March, 2002 Legislative Finance Committee meeting indicates that there are FAIM Phase II-R dollars unexpended and no plan is in place to expend the remaining dollars, there is appropriated up to \$1.5 million for the biennium of these unexpended funds for the summer youth employment program in the 2003 biennium.

Table 14	
TANF - Reductions in Federal Spending	
Items Included in Base Budget for Federal Funds	
But not Included in Federal Spending in 2003 Biennium	
Not Included in Other Decision Packages	
Change to Base Budget	Amount
Indirect - HCSD	\$180,546
TANF Evaluation	(30,062)
Program 09 and 02 Systems	554,989
CSED Liasons	38,505
TANF LIEAP	875,037
Family Support Services	173,496
Transportation (Construction Trades)	271,831
Employment Barriers - Domestic Violence	3,097
Food Banks	(125,000)
SSI Eligibility	1,563
Adult Basic Education	(125,169)
Total	<u>\$1,818,833</u>

Item [Human and Community Services Division] includes increases of \$3,852,988 of general fund in fiscal 2002 and of \$4,006,121 of general fund in fiscal 2003 and reductions of \$3,356,606 of state special revenue in fiscal 2002 and of \$3,376,187 of state special revenue in fiscal 2003 that are contingent upon passage and approval of HB 124.

Funds in item [Human and Community Services Division] include \$68,422 in fiscal 2002 and \$69,606 in fiscal 2003 that the department shall use to reimburse the Montana Department of Corrections, Montana Correctional Enterprises, for costs incurred to operate the Montana Food Bank Network canning and wild game processing facility.

Funds included in items [Tribal Projects and Nontraditional Job Training - Tribal] may be used only to fund tribal projects and to provide nontraditional job training to an enrolled tribal member of a federally recognized tribe whose reservation lies within the exterior boundaries of the Montana reservations and to the Little Shell band of Chippewa if the Little Shell band of Chippewa becomes a federally recognized tribe.

Funds in item [Tribal Projects] may be used to fund Head Start services for tribal members. Tribal members may not access services supported by funds in item [Children as Scholars (Head Start)] because funding for tribal Head Start projects has been included in Tribal Projects.

The department shall transfer funds in item [Low-Income Housing] to the Montana Board of Housing revolving loan account to fund eligible activities under the federal TANF block grant. The timing and amount of the transfer must comply with federal regulations governing the expenditure and transfer of TANF funds.

Funds included in item [High-Wage, High-Skill Training] may be used only to develop programs for high-wage, high-skill training for single parents, persons who are economically disadvantaged, and displaced homemakers.

Funds included in item [Adult Basic Education] may be used only to provide Adult Basic Education services.

The department shall transfer funds in item [Children's Trust Fund] to the Children's Trust Fund to fund eligible child abuse and neglect prevention activities.

Projects funded in items [FAIM Phase II-R other than Tribal specific items] are considered approved special projects related to welfare reform for the purpose of implementation of 53-4-210, MCA. Prior to the expenditure of these funds, the department shall provide notice both verbally and in writing to tribes that have implemented a federally approved tribal family assistance plan that funding for special projects is available. Tribes that operate a tribal family assistance plan may receive the funds in these items and the department may award all or a portion of these funds to tribes that operate tribal family assistance plans as allowable within federal regulations.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	324.75	0.00	5.25	330.00	0.00	6.00	330.75	330.75
Personal Services	12,320,176	(332,989)	288,454	12,275,641	(266,922)	334,587	12,387,841	24,663,482
Operating Expenses	3,257,286	465,882	99,720	3,822,888	646,220	116,039	4,019,545	7,842,433
Equipment	10,558	0	30,263	40,821	0	0	10,558	51,379
Grants	4,412,608	0	615,842	5,028,450	0	529,966	4,942,574	9,971,024
Benefits & Claims	20,138,739	3,079,618	4,346,743	27,565,100	4,322,859	1,356,484	25,818,082	53,383,182
Debt Service	89,150	0	0	89,150	0	0	89,150	178,300
Total Costs	\$40,228,517	\$3,212,511	\$5,381,022	\$48,822,050	\$4,702,157	\$2,337,076	\$47,267,750	\$96,089,800
General Fund	18,116,310	723,897	1,698,808	20,539,015	1,902,471	1,695,927	21,714,708	42,253,723
State/Other Special	2,877,029	565,003	(2,172,078)	1,269,954	594,955	(2,135,314)	1,336,670	2,606,624
Federal Special	19,235,178	1,923,611	5,854,292	27,013,081	2,204,731	2,776,463	24,216,372	51,229,453
Total Funds	\$40,228,517	\$3,212,511	\$5,381,022	\$48,822,050	\$4,702,157	\$2,337,076	\$47,267,750	\$96,089,800

Program Description

The Child and Family Services (CFSD) Division administers child welfare services, abuse prevention services, domestic violence grants, and other programs designed to keep children safe and families strong. CFSD oversees five regional offices that administer programs and are advised by Local Family Services Advisory Councils, which serve as the link between local communities and DPHHS. CFSD also provides the user liaison for the large statewide computer system application: CAPS (the Child and Adult Protective Services) system. Statutory authority for the program is provided in Titles 33, 40, 41, 42, 50, 52, and 72, MCA, and 45CFR, Parts 1355 and 1370.

Table 15
Child and Family Services Division
Summary of Benefit and Grant Programs by Fund Source

Program	Fiscal 2000 Actual			Fiscal 2002 Appropriation			Fiscal 2003 Appropriation		
	General Fund	State Special Revenue	Federal Funds	General Fund	State Special Revenue	Federal Funds	General Fund	State Special Revenue	Federal Funds
Benefits									
Foster Care*	\$6,056,620	\$1,583,019	\$8,655,863	\$5,870,168	\$1,094,533	\$11,417,791	\$6,598,698	\$1,124,823	\$11,214,468
Subsidized Adoption	1,681,095	0	1,624,520	2,368,196	0	2,269,009	2,728,097	0	2,606,592
Tribal Contracts	45,488	0	184,323	45,488	0	184,323	45,488	0	184,323
In-Home and Family Reunification Svcs	494,938	0	214,088	526,533	0	182,493	519,692	0	189,334
Domestic Violence	152,602	44,764	130,613	152,537	44,780	130,661	152,537	44,780	130,661
Big Brothers Big Sisters	0	0	138,493	0	0	208,285	0	0	208,285
Independent Living	0	0	70,303	0	0	70,303	0	0	70,303
Collaborative Project	0	0	0	0	0	3,000,000	0	0	0
Total Benefits	\$8,430,743	\$1,627,783	\$11,018,203	\$8,962,922	\$1,139,313	\$17,462,865	\$10,044,512	\$1,169,603	\$14,603,967
Grants									
Tribal Contracts	\$278,694	\$0	\$1,129,300	\$278,694	\$0	\$1,129,300	\$278,694	\$0	\$1,129,300
In-Home and Family Reunification Svcs	1,353,764	0	586,247	1,719,930	0	526,423	1,641,265	0	519,212
Domestic Violence	350,915	102,936	300,351	350,767	102,974	300,462	350,767	102,974	300,462
Adoption Services	0	0	0	24,500	0	0	24,500	0	0
Independent Living	0	0	0	0	0	285,000	0	0	285,000
Children's Trust Fund	0	30,766	0	0	30,766	0	0	30,766	0
Child Abuse and Neglect	0	0	279,634	0	0	279,634	0	0	279,634
Total Grants	\$1,983,373	\$133,702	\$2,295,532	\$2,373,891	\$133,740	\$2,520,819	\$2,295,225	\$133,740	\$2,513,608
Total			\$4,412,608			\$5,028,450			\$4,942,574

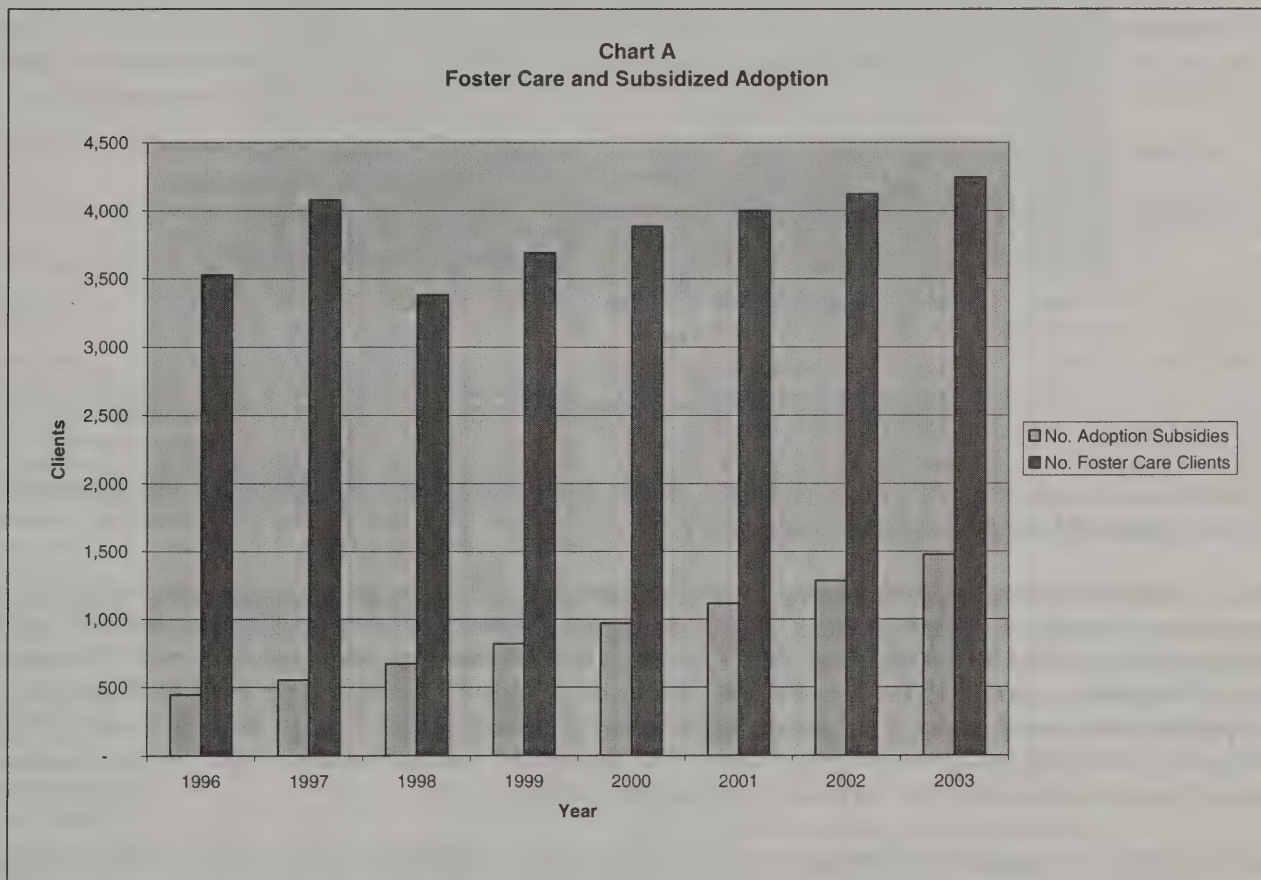
*Foster Care fiscal 2000 actual includes \$937,990 federal funds that were not accrued. This adjustment increases the total benefits for fiscal 2000 from \$20,138,739 shown in the main table to \$21,076,739 as shown in this table.

Program Narrative

Table 15 summarizes legislative appropriations benefit and grants. Foster care services with total appropriations exceeding \$18 million per year are the largest benefit category administered by the division. The legislature provided funding to support a 3 percent per year increase in foster care caseload.

The second largest benefit category administered by the division is subsidized adoptions, with annual appropriations of \$4.6 million and \$5.3 million for fiscal 2002 and fiscal 2003, respectively. The legislature funded a 15 percent per year increase in subsidized adoption caseload. The caseload increase for subsidized adoption is smaller than has historically been experienced in this program and reflects a projected slowing in the annual rate of growth.

As illustrated in Chart A and B, foster care and subsidized adoptions continue to grow in both number of clients and total costs. This growth represents the combined affects of increased numbers of clients and provider rate increases. Chart A illustrates the number of foster care clients and adoption subsidies for fiscal years 1996 through 2003.



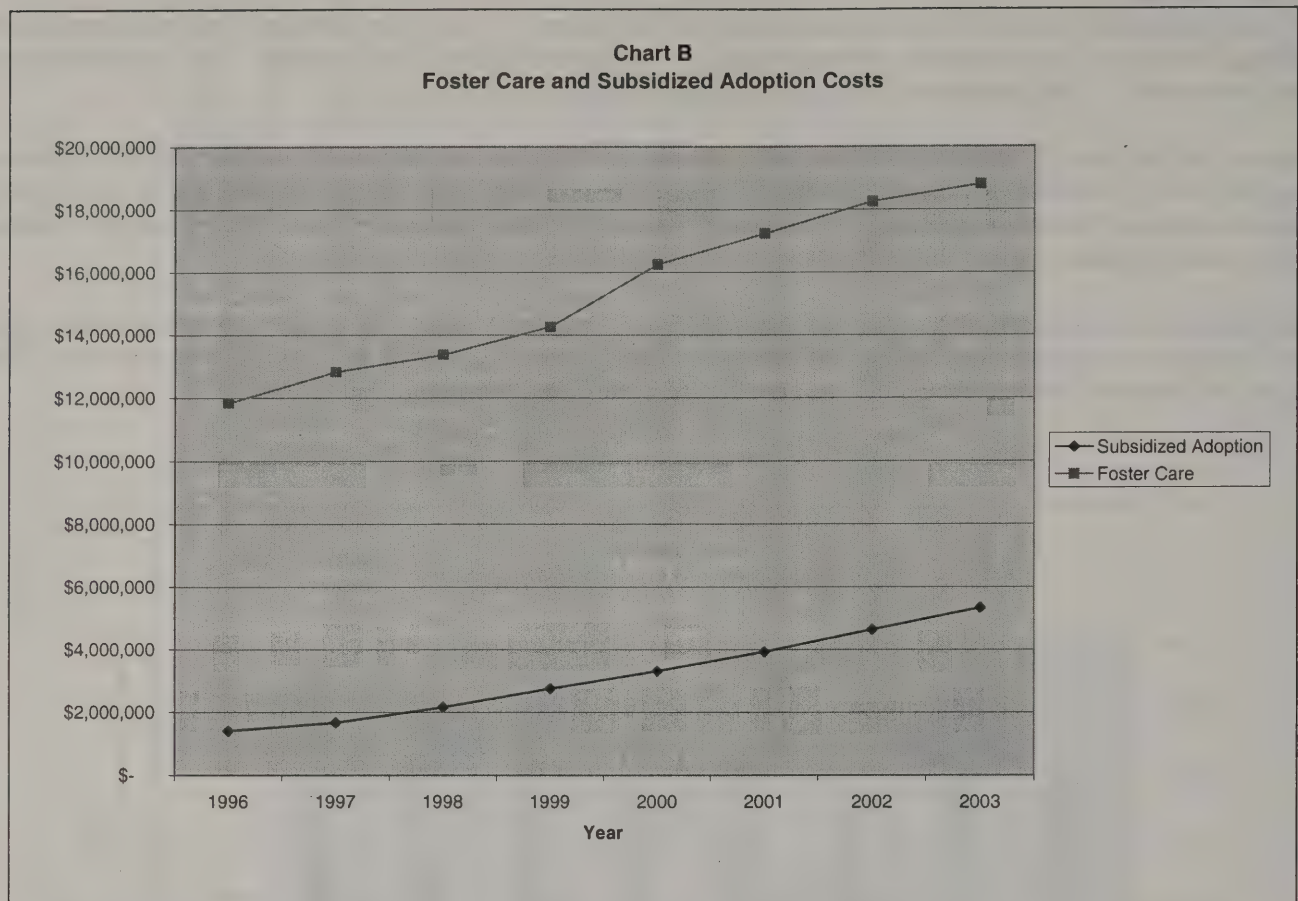


Chart B illustrates total foster care expenditures (actual and appropriated) and total subsidized adoption expenditures (actual and appropriated) for fiscal years 1996 through 2003.

In-home and family reunification services, with funding of more than \$2 million per year, constitute the largest share of the grants administered by the department. The legislature provided increased funding for these services, including a restricted appropriation of \$100,000 in fiscal 2002. As stated in HB 2, the department estimates that 25 families or 50 children will be served with this \$100,000 and that 80 percent of the families served will not enter the foster care system. If the department achieves this goal, the increase in the foster care caseload will decrease from 3 percent to 2 percent. The legislature stated that savings created by a lower than anticipated caseload increase could be used to expand the provision of in-home services or other services within the child welfare system.

Services provided via contracts with tribes are the second largest grant expenditures totaling \$1.4 million per year, and domestic violence service contracts funded at \$750,000 per year are the third largest group of services provided as grants.

The legislature also approved a Child Protective Services plan that includes additional funding for: 1) 5.25 FTE in fiscal 2002 and 6.0 FTE in fiscal 2003; 2) centralized intake of child abuse and neglect referrals; 3) completion of 300 more family group conferences in each year of the biennium; and 4) in-home services (\$275,000 for the biennium). This plan reflects legislative policy to support provision of services in effective, efficient ways while minimizing the costs; emphasis on early intervention services which prevent foster care placement or minimize the length of placement; and a change from completion of initial receipt of reports of abuse and neglect at the local level to a centralized phone center with review, assignment, and prioritization of referrals from a centralized point based upon consistent criteria.

Legislative priorities included increases in provider rates for providers of direct services to clients. The legislature approved family foster care, foster care facility, and subsidized adoption provider rate increases of approximately 2.8 percent in fiscal 2002 and provided an additional increase for family foster care providers of 25 cents per day beginning in fiscal year 2002.

Funding

The Child and Family Services Division is funded by a combination of general fund, state special revenue from third party contributions to the costs of care, and federal funds. As illustrated in Table 16, general fund provides 42.1 percent of the funding for the division in fiscal 2002 and 45.9 percent in fiscal 2003. The change in the general fund as a percentage of total funds is due in part to a biennial appropriation of \$3.0 million federal funds that is included in fiscal 2002 but which may be expended in either year of the biennium. When adjusted for this biennial appropriation, general fund provides 43.4 and 44.5 percent of the total funding for the division in fiscal 2002 and 2003, respectively.

General fund as a percentage of total funds decreases in the 2003 biennium when compared with fiscal 2000. The legislature approved a change in funding for foster care services, which decreased general fund by \$1.9 million, decreased federal funds from Title IV-E of the Social Security Act by \$1.1 million, and increased federal Temporary Assistance for Needy Families (TANF) block grant support by \$3.0 million. The executive proposed this funding shift as a means to minimize the department's need for a supplemental appropriation for the 2001 biennium and the related impact on 2003 biennium appropriations.

Table 16
Child and Family Services Funding

Fund Source	Fiscal 2000 Actual	Legislative Appropriation Fiscal 2002	Fiscal 2003	Percent of Total
General Fund	\$18,116,310	\$20,539,015	\$21,714,708	45.9%
Percent of Total	45.0%	42.1%	45.9%	
State Special Revenue				
Third Party Contributions - F.C.	\$583,914	\$1,100,000	\$1,130,000	2.4%
Assault, Intervention and Treatment	148,123	148,123	148,123	0.3%
Child Abuse and Neglect Program.	30,766	30,766	30,766	0.1%
Other (Adoption/Family Preservation)	3,159	(8,935)	27,781	0.1%
County Reimbursements	2,111,067	0	0	0.0%
Subtotal State Special Revenue	\$2,877,029	\$1,269,954	\$1,336,670	2.8%
Percent of Total	7.2%	2.6%	2.8%	
Federal Funds				
Foster Care and Adoption IVE	\$7,826,788	\$11,846,245	\$9,367,793	19.8%
Cost Allocation	6,133,012	6,773,921	6,844,984	14.5%
TANF Benefits	1,311,524	3,354,088	3,354,098	7.1%
Title XX - Social Services Block Gr	2,068,307	2,850,000	2,460,602	5.2%
Family Preservation	608,395	608,395	608,395	1.3%
Independent Living IVE	215,229	519,795	519,864	1.1%
Domestic Violence	432,198	432,198	432,198	0.9%
Child Welfare Services IVB	271,396	271,396	271,396	0.6%
Child Abuse Challenge	170,833	170,833	170,833	0.4%
Child Abuse	79,042	79,042	79,042	0.2%
Child Justice	36,769	36,769	36,769	0.1%
Crisis Nursery	58,759	30,763	30,763	0.1%
CAPS Development	22,926	22,822	22,821	0.0%
Adoption Incentive Funds	0	16,814	16,814	0.0%
Subtotal Federal Funds	\$19,235,178	\$27,013,081	\$24,216,372	51.2%
Percent of Total	47.8%	55.3%	51.2%	
Total Funds	\$40,228,517	\$48,822,050	\$47,267,750	100.0%
Increase Above Base		21.4%	17.5%	
Annual Rate of Change from Base		10.2%	5.5%	

State special revenue support for the division declines from 7.2 percent in fiscal 2000 to approximately 2.5 percent annually in the 2003 biennium. The most significant change in state special revenue for the division is due to the fiscal impact of HB 124, which provided that protective services be funded with general fund rather than county funds. Due to the fiscal impact of HB 124, general fund support for the division was increased \$2,206,194 and \$2,241,893 in fiscal 2002 and 2003, respectively and state special revenue was reduced \$2,172,078 and \$2,135,314.

State special revenue from third party contributions to the costs of foster care appear as an increase in Table 16 due to an understatement of the funding from this source in fiscal year 2000. 2003 biennium funding from this source is projected at the corrected fiscal 2000 funding level.

Federal funding sources include:

- Title IV-E Foster Care and Subsidized Adoption funds
- Temporary Assistance for Needy Families (TANF) funds
- Social Service Block Grant (Title XX) funds
- Title IV-B Child Welfare funds
- Title IV-B part II, Family Preservation Grant funds

The legislature approved a \$3.0 million biennial federal funds appropriation to support a community collaboration project, which seeks to refinance community services by using funding currently expended by communities to capture additional federal reimbursement for services eligible for funding under Title IV-E of the Social Security Act. The legislature also approved an appropriation of \$25,000 general fund and \$25,000 federal funds to support 1.0 FTE to complete this community collaboration project.

Other Legislation

The 2001 legislature passed several bills that had no impact on HB 2 for the 2003 biennium but that will impact the operations of the division and are noteworthy changes in policy. These bills are summarized below.

Senate Joint Resolution 8: This resolution requests that a legislative interim study of the privatization of foster care and adoption services be completed by September 15, 2002. This resolution provides that the study may consider a number of items including payment and reimbursement issues and the impact of privatization on current state employees involved in foster care and adoption administration and services.

Senate Bill 116: This bill revised child abuse and neglect laws and included provisions:

- Requiring that an employee of an entity that contracts with the department to provide direct services to children report suspected cases of child abuse and neglect
- Allowing the department to assess reports of abuse and neglect and make a determination regarding the level of response required and timeframe within which action must be initiated (this is a modification to the requirement that the department investigate all reports of abuse and neglect)
- Clarifying language regarding payment for court ordered services including that the department must consent to the services and inform the court that resources are available to pay for services ordered by the court
- Defining transitional living programs and providing the department authority to administer those programs
- Specifying that the department shall require an applicant for a youth foster home license submit to a criminal and child protection background check

Senate Bill 132: This bill: 1) provides for a safe haven for abandoned newborns; 2) provides that the department assume care, control, and temporary protective custody of the newborn; and 3) requires that the department establish a safe delivery program and the components of that program. The provisions of SB 132 are effective July 1, 2001 and terminate June 30, 2004.

Present Law Adjustments										
Fiscal 2002					Fiscal 2003					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				65,184						134,007
Vacancy Savings				(334,921)						(336,987)
Inflation/Deflation				7,164						14,093
Fixed Costs				151,008						167,481
Total Statewide Present Law Adjustments				(\$111,565)						(\$21,406)
DP 39 - Subsidized Adoption Caseload Increase	0.00	562,751	0	527,851	1,090,602	0.00	921,826	0	864,659	1,786,485
DP 40 - Foster Care Caseload Increase	0.00	654,052	0	352,182	1,006,234	0.00	1,009,835	0	543,757	1,553,592
DP 60 - Leased Vehicles from DOT	0.00	21,210	0	14,141	35,351	0.00	41,688	0	27,793	69,481
DP 62 - Field Staff Operations	0.00	180,000	0	120,000	300,000	0.00	180,000	0	120,000	300,000
DP 64 - Computer Hardware	0.00	49,800	0	33,200	83,000	0.00	123,504	0	82,336	205,840
DP 301 - Big Brothers/Big Sisters Base Year Corrections	0.00	44,792	0	0	44,792	0.00	44,792	0	0	44,792
DP 609 - Adjust and Shift Foster Care Funding	0.00	(680,777)	577,096	103,681	0	0.00	(310,798)	607,097	(296,299)	0
DP 696 - Data Network Fixed Cost Reduction	0.00	(325)	0	(366)	(691)	0.00	(325)	0	(366)	(691)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(8,047)	0	(1,903)	(9,950)	0.00	(8,074)	0	(1,910)	(9,984)
DP 699 - Vacancy Savings at 4 Percent	0.00	(99,161)	(11,434)	(52,657)	(163,252)	0.00	(99,579)	(11,483)	(52,880)	(163,942)
DP 889 - Adjust. Tribal Contracts	0.00	0	0	937,990	937,990	0.00	0	0	937,990	937,990
Total Other Present Law Adjustments	0.00	\$724,295	\$565,662	\$2,034,119	\$3,324,076	0.00	\$1,902,869	\$595,614	\$2,225,080	\$4,723,563
Grand Total All Present Law Adjustments				\$3,212,511						\$4,702,157

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 39 - Subsidized Adoption Caseload Increase - The legislature approved \$1.5 million general fund and \$1.4 million federal funds to support a 15 percent per year increase in the subsidized adoption caseload. For further discussion of the caseload increase approved by the legislature, please refer to the program narrative.

DP 40 - Foster Care Caseload Increase - The legislature approved \$1.7 million general fund and \$0.9 million federal funds to support an anticipated 3 percent per year increase in the foster care caseload. For further discussion of the caseload increase approved by the legislature, please refer to the program narrative.

DP 60 - Leased Vehicles from DOT - The legislature approved \$63,000 general fund and \$42,000 federal funds for the lease of replacement vehicles (nine in fiscal 2002 and seven in fiscal 2003).

DP 62 - Field Staff Operations - The legislature approved \$360,000 general fund and \$240,000 federal funds for the costs of overtime for social workers and office space rental for local offices.

DP 64 - Computer Hardware - The legislature approved \$173,000 general fund and \$116,000 in federal funds as a one-time-only appropriation to replace existing desktop computers with leased equipment. The Child and Family Services Division plans to replace half of the division's desktop computers in each year of the 2003 biennium. The replacement of four file servers and four printers per year is also planned.

DP 301 - Big Brothers/Big Sisters Base Year Corrections - The legislature approved maintenance of the Big Brothers/Big Sisters program at \$183,285, the fiscal 2000 expenditure level. This adjustment was necessary because an accounting error resulted in \$44,792 of costs being unrecorded in fiscal 2000, understating the base budget. The legislature also approved an increase in funding for this program, which is included in DP 608 in the "New Proposals" section.

DP 609 - Adjust and Shift Foster Care Funding - The legislature approved a funding adjustment that shifts funding for foster care services among funding sources. This adjustment includes a reduction in general fund and increased funding from third parties, which was not booked on the accounting records at fiscal year end.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

DP 889 - Adjust Tribal Contracts - The legislature approved increased federal funding of \$937,990 per year (\$1,875,980 for the biennium) to correct base year expenditures that were understated. The base year expenditures for foster care services were \$16.2 million rather than the \$15.3 million included in the base budget.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 118 - Foster Care Rate Increase										
03	0.00	434,359	0	233,886	668,245	0.00	436,815	0	235,208	672,023
DP 122 - Subsidized Adoption Rate Increase										
03	0.00	124,350	0	116,638	240,988	0.00	125,176	0	117,413	242,589
DP 123 - Foster Care Facilities Rate Increase										
03	0.00	213,938	0	115,198	329,136	0.00	215,148	0	115,849	330,997
DP 139 - Child Protective Services										
03	5.25	459,739	0	108,177	567,916	6.00	515,111	0	26,725	541,836
DP 425 - House Bill 124, Revise Local Government Funding										
03	0.00	2,206,194	(2,172,078)	0	34,116	0.00	2,241,893	(2,135,314)	0	106,579
DP 607 - Community Collaboration Project (Title IV-E)										
03	1.00	25,000	0	3,025,000	3,050,000	1.00	25,000	0	25,000	50,000
DP 608 - Big Brothers Big Sisters Increase										
03	0.00	25,000	0	0	25,000	0.00	25,000	0	0	25,000
DP 612 - Adoption Services										
03	0.00	24,500	0	0	24,500	0.00	24,500	0	0	24,500
DP 621 - IV-E Independent Living Grant Increase										
03	0.00	0	0	285,000	285,000	0.00	0	0	285,000	285,000
DP 623 - Shift General Fund to Child Support Enforcement										
03	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
DP 629 - In-Home Services										
03	0.00	100,000	0	0	100,000	0.00	0	0	0	0
DP 631 - Family Foster Care Rate Increase 25 cents per day										
03	0.00	54,193	0	29,181	83,374	0.00	55,819	0	30,056	85,875
DP 689 - FTE Reduction										
03	(1.00)	(20,253)	0	0	(20,253)	(1.00)	(20,323)	0	0	(20,323)
DP 893 - Maximize TANF funding in Foster Care										
03	0.00	(1,941,212)	0	1,941,212	0	0.00	(1,941,212)	0	1,941,212	0
Total	5.25	\$1,698,808	(\$2,172,078)	\$5,854,292	\$5,381,022	6.00	\$1,695,927	(\$2,135,314)	\$2,776,463	\$2,337,076

New Proposals

DP 118 - Foster Care Rate Increase - The legislature approved \$871,000 general fund and \$469,000 federal funds for a 2.8 percent provider rate increase for family foster care homes in the first year of the 2003 biennium.

DP 122 - Subsidized Adoption Rate Increase - The legislature approved \$250,000 general fund and \$234,000 federal funds to support an adoption subsidy rate increase of 2.8 percent in the first year of the 2003 biennium.

DP 123 - Foster Care Facilities Rate Increase - The legislature approved \$429,000 general fund and \$231,000 federal funds to support a 2.8 percent provider rate increase for foster care facilities in the first year of the 2003 biennium.

DP 139 - Child Protective Services - The legislature approved \$975,000 general fund and \$135,000 federal funds to implement a redesign of the child welfare system in Montana. This item includes funding for: 1) 5.25 FTE in fiscal 2002 and 6.0 FTE in fiscal 2003; 2) a centralized intake process; 3) an increased amount of in-home services (\$275,000 for the biennium); and 4) completion of 300 more family group conferences each year.

DP 425 - House Bill 124, Revise Local Government Funding - This decision package reflects the funding changes necessary due to provisions of HB 124. HB 124 provided that protective services be funded with general fund rather than county funds. Due to the fiscal impact of HB 124, general fund support for the division was increased \$2,206,194 and \$2,241,893 in fiscal 2002 and 2003, respectively and state special revenue was reduced \$2,172,078 and \$2,135,314.

DP 607 - Community Collaboration Project (Title IV-E) - The legislature approved the addition of 1.0 FTE, \$50,000 general fund and \$3.0 million federal funds to support a community collaboration project that will implement use of community funds as matching funds to obtain additional federal reimbursement under Title IV-E of the Social Security Act. This is a one-time-only appropriation.

DP 608 - Big Brothers Big Sisters Increase - The legislature approved increased funding for the Big Brothers/Big Sisters program of \$50,000 general fund for the biennium. This is a one-time-only appropriation. Funding in the Operations and Technology Division was reduced by this amount.

DP 612 - Adoption Services - The legislature provided \$49,000 general fund for the biennium to support contracted services related to adoptions.

DP 621 - IV-E Independent Living Grant Increase - The legislature appropriated an additional \$570,000 federal funds for the biennium for an increase in the federal IV-E Independent Living Grant. The required general fund match is available within the division's existing budget.

DP 623 - Shift General Fund to Child Support Enforcement - The legislature approved a plan submitted by the department that shifts general fund from various divisions within the department to the Child Support Enforcement Division to partially reinstate an FTE reduction approved by the legislature.

DP 629 - In-Home Services - The legislature approved \$100,000 general fund in fiscal 2002 for In-Home Services.

DP 631 - Family Foster Care Rate Increase 25 cents per day - The legislature provided a 25 cent per day increase in the family foster care rate. Current family foster care rates are \$14.28 per day for children up to age 13 and \$17.34 for children age 13 and older. The additional 25 cents per hour raises these rates to \$14.53 and \$17.59 per day, respectively.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

DP 893 - Maximize TANF funding in Foster Care - The legislature approved a change in foster care funding which decreases general fund and federal funding from Title IV-E and increases TANF funding for foster care services. The annual funding changes are: 1) decrease general fund by \$1.9 million; 2) decrease federal Title IV-E funding by \$1.0 million; and 3) increase TANF funding approximately \$2.9 million.

Language

Item [Child and Family Services] includes increases of \$2,206,194 of general fund in fiscal 2002 and \$2,241,893 of general fund in fiscal 2003 and reductions of \$2,172,078 of state special revenue in fiscal 2002 and of \$2,135,314 of state special revenue in fiscal 2003 that are contingent upon passage and approval of HB 124.

Funds in item [In-Home Services] may be used only to support the costs of in-home services for families in the child welfare system. The department estimates that 100 families or 200 children will be served with this funding and that 80 percent of the families served will not enter the foster care system. If the department achieves this goal, the estimated increases in the foster care caseload will decrease from 3 percent to 2 percent. Any savings realized because of a lower than anticipated caseload increase may be used by the department to expand the provision of in-home services or other services within the child welfare system.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	31.50	0.00	7.00	38.50	0.00	7.00	38.50	38.50
Personal Services	1,269,796	53,135	281,378	1,604,309	60,960	286,159	1,616,915	3,221,224
Operating Expenses	935,812	204,147	1,394,274	2,534,233	267,443	1,393,096	2,596,351	5,130,584
Equipment	0	0	8,948	8,948	0	8,948	8,948	17,896
Debt Service	11,897	0	0	11,897	0	0	11,897	23,794
Total Costs	\$2,217,505	\$257,282	\$1,684,600	\$4,159,387	\$328,403	\$1,688,203	\$4,234,111	\$8,393,498
General Fund	550,778	(4,958)	625,498	1,171,318	(1,065)	629,070	1,178,783	2,350,101
State/Other Special	966,273	215,828	31,726	1,213,827	278,094	31,290	1,275,657	2,489,484
Federal Special	700,454	46,412	1,027,376	1,774,242	51,374	1,027,843	1,779,671	3,553,913
Total Funds	\$2,217,505	\$257,282	\$1,684,600	\$4,159,387	\$328,403	\$1,688,203	\$4,234,111	\$8,393,498

Program Description

The Director's Office provides overall policy development for the department. Specific functions within the Director's Office are legal affairs, personnel services, public information, and state and local relations. The 2001 legislature transferred administration of the tobacco control and prevention program to this program. The Director's Office also provides support for the Montana Telecommunications Access Program (MTAP), which purchases telephone communications devices and relay services for hearing, speech or mobility impaired persons. The Board of Health and Human Services Appeals, the Public Health and Human Services Statewide Advisory Council, and the Montana Health Care Advisory Council are administratively attached.

Program Narrative

The Director's Office annual appropriation for the 2003 biennium is nearly double base budget expenditures. The most significant changes over the biennium are:

- Transfer of 5.0 FTE and \$3.0 million total funds, including \$1.1 million general fund, from the Health Policy and Services Division for tobacco control and prevention
- Addition of 1.0 FTE and \$0.5 million in state special revenue to fund increases in relay services, purchase of hearing screening equipment for newborns, and other operating cost increases for MTAP
- Addition of statewide present law adjustments of \$0.3 million
- Addition of 1.0 FTE and \$0.2 million, including \$0.1 million general fund, for a deputy director position
- Addition of \$0.2 million general fund with an offsetting reduction of state special revenue for a net increase of \$8,759 to implement HB 124
- Addition of \$0.1 million state special revenue to fund expansion of the AmeriCorps*Vista program
- Reductions for vacancy savings and other items totaling \$0.2 million total funds, including \$0.1 million general fund

Transfer of Tobacco Prevention and Control

The legislature transferred administration of the tobacco control and prevention program from the Health Policy and Services Division to the Director's Office. Table 17 shows base budget funding and FTE, changes made by the legislature, and the net amounts that were transferred. The legislature also added language to HB 2, indicating its intent that the Interagency Coordinating Council on Prevention, which is administratively attached to the Director's Office, administer the program.

The legislature accepted the executive request to reduce the tobacco control and prevention program appropriation by \$6 million general fund over the biennium. There were several other legislative actions that also reduced the general fund appropriation, including increased vacancy savings and rent reductions, but the effect was minor compared to the major executive policy. The legislature appropriated an increase in federal grant funds that support the program, partially offsetting the general fund reduction. Individual decision packages that change the appropriations for tobacco control and prevention are discussed in the Health Policy and Services Division.

Funding

The total funding and the funding mix supporting the Director's Office change from the base budget to the fiscal 2003 appropriation. Federal funds increase from 31.6 of total funds in the base budget to 42 percent of the total in fiscal 2003, while general fund increases from 24.8 percent to 27.8 percent. State special revenue declines from 43.6 of total base expenditures to 30.1 percent of the fiscal 2003 appropriation.

Table 17
Tobacco Control and Prevention Program Base Budget,
Appropriation Changes and Net Transfer to Director's Office

Program/Appropriation	Fiscal 2000	Legislative Appropriation	
Changes from Base Budget	Base	Fiscal 2002	Fiscal 2003
<u>Base Budget Health Policy and Services Division</u>			
FTE	6.37	1.37	1.37
General Fund	\$3,509,161	\$0	\$0
Federal Funds	821,020	0	0
Total Funds	<u>\$4,330,181</u>	<u>\$0</u>	<u>\$0</u>
<u>Changes Enacted for 2003 Biennium</u>			
General Fund Reductions		(\$3,006,996)	(\$3,007,006)
Net Increase in Federal Grant		\$159,106	\$159,573
		(\$2,847,890)	(\$2,847,433)
<u>Net Transfer to Director's Office</u>			
FTE	0.00	5.00	5.00
General Fund	\$0	\$502,165	\$502,155
Federal Funds	0	980,126	980,593
Total Funds	<u>\$0</u>	<u>\$1,482,291</u>	<u>\$1,482,748</u>

Table 18
Director's Office Funding

Fund Source	Actual Fiscal 2000	Legislative Appropriation		Percent of Total
		Fiscal 2002	Fiscal 2003	
General Fund	\$550,778	\$1,171,318	\$1,178,783	27.8%
Percent of Total Funds	24.8%	28.2%	27.8%	
State Special Revenue				
Telecommunications Access	\$695,226	\$931,090	\$991,825	23.4%
ICC Donations	37,010	106,827	106,826	2.5%
Indirect /Cost Allocation	<u>234,037</u>	<u>175,910</u>	<u>177,006</u>	<u>4.2%</u>
Subtotal State Special Revenue	<u>\$966,273</u>	<u>\$1,213,827</u>	<u>\$1,275,657</u>	30.1%
Percent of Total Funds	43.6%	29.2%	30.1%	
Federal Funds				
Tobacco Control and Prevention	\$0	\$980,126	\$980,593	23.2%
Indirect /Cost Allocation	<u>700,454</u>	<u>794,116</u>	<u>799,078</u>	<u>18.9%</u>
Subtotal Federal Funds	<u>\$700,454</u>	<u>\$1,774,242</u>	<u>\$1,779,671</u>	42.0%
Percent of Total Funds	31.6%	42.7%	42.8%	
Total Funds	<u>\$2,217,505</u>	<u>\$4,159,387</u>	<u>\$4,234,111</u>	<u>100.0%</u>
Increase Above Base		87.6%	90.9%	
Annual Rate of Change from Base		37.0%	24.1%	

The state special revenue reduction is largely due to HB 124, which changed the way local governments are funded. Previously, a share of Director's Office costs were allocated to counties. The legislature increased general fund and reduced county funds due to passage of HB 124.

Other state special revenue funds that support the Director's Office are derived through Interagency Coordinating Council funding transfers, the DPHHS cost allocation plan, and the MTAP tax -- a monthly ten-cent assessment on every telephone line in the state. This assessment is collected by telecommunication services providers.

The legislature discussed the ending fund balance in the MTAP account which was projected to total between \$0.7 to \$1.2 million by the end of the 2003 biennium. The legislature chose to leave the balance in the account.

Federal funds are tobacco control and prevention grants and a portion of federal grants received by the department that are used to pay administrative costs associated with the Director's Office. Transfer of the tobacco control program is the most significant reason that federal funds increase as a percent of the total appropriation.

Present Law Adjustments											
-----Fiscal 2002-----					-----Fiscal 2003-----						
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services					150,257					158,406	
Vacancy Savings					(39,098)					(39,341)	
Inflation/Deflation					2,554					4,835	
Fixed Costs					10,142					11,408	
Total Statewide Present Law Adjustments					\$123,855						\$135,308
DP 200 - MTAP Sprint Relay											
	0.00	0	202,583	0	202,583	0.00	0	262,370	0	262,370	
DP 695 - Reduce General Fund to Support Deputy											
	0.00	(40,000)	0	0	(40,000)	0.00	(40,000)	0	0	(40,000)	
DP 698 - Rent Reduction - Use of Capitol Land Grant											
	0.00	(4,002)	(1,164)	(5,966)	(11,132)	0.00	(4,016)	(1,168)	(5,986)	(11,170)	
DP 699 - Vacancy Savings at 4 Percent											
	0.00	(6,793)	(3,965)	(7,266)	(18,024)	0.00	(6,823)	(3,982)	(7,300)	(18,105)	
Total Other Present Law Adjustments											
	0.00	(\$50,795)	\$197,454	(\$13,232)	\$133,427	0.00	(\$50,839)	\$257,220	(\$13,286)	\$193,095	
Grand Total All Present Law Adjustments					\$257,282						\$328,403

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 200 - MTAP Sprint Relay - The legislature added \$464,953 state special revenue over the biennium to meet increased contract costs associated with relay services for MTAP and expanded outreach efforts. MTAP contracts for telephone relay services. The base budget rate is \$1.20 per relay minute compared to contract rates of about \$1.30 for the 2003 biennium. While the Executive Budget was based on a rate of \$1.50 per minute (a 25 percent increase), the legislature approved the full request with the understanding that funds not expended on relay services would be used for other services, such as expanded outreach.

DP 695 - Reduce General Fund to Support Deputy - The legislature reduced general fund \$40,000 each year of the biennium. The legislature made the reduction to offset the cost increase of adding a deputy director position. The legislature did not specify what actions DPHHS should take to reduce expenditures to accomplish the funding reduction, leaving such decisions up to the discretion of the director.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 96 - AmeriCorps*Vista Program										
04	0.00	0	70,000	0	70,000	0.00	0	70,000	0	70,000
DP 97 - MTAP Human Services Specialist FTE										
04	1.00	0	36,439	0	36,439	1.00	0	36,566	0	36,566
DP 421 - Transfer Tobacco Control and Prevention Program										
04	5.00	502,165	0	980,126	1,482,291	5.00	502,155	0	980,593	1,482,748
DP 425 - HB 124 - Revise Local Government Funding										
04	0.00	93,333	(90,463)	0	2,870	0.00	96,915	(91,026)	0	5,889
DP 623 - Shift Funding to Child Support Enforcement - DPHHS										
04	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
DP 884 - Deputy Director										
04	1.00	37,000	15,750	47,250	100,000	1.00	37,000	15,750	47,250	100,000
Total	7.00	\$625,498	\$31,726	\$1,027,376	\$1,684,600	7.00	\$629,070	\$31,290	\$1,027,843	\$1,688,203

New Proposals

DP 96 - AmeriCorps*Vista Program - The legislature appropriated \$140,000 state special revenue over the biennium to maintain the current anticipated number of AmeriCorps*VISTA volunteers, and to continue the AmeriCorps*VISTA contract with the Corporation for National and Community Service (CNCS). By the end of fiscal 2001, DPHHS estimates there will be 10 cost-share volunteers and 20 CNCS supported volunteers in Montana. The state special revenue is an annual fee paid by the community program requesting AmeriCorps*VISTA services.

Each community program must submit an outline of the project the volunteer will be involved with as well as the project duration. The fee paid by the community is based on the number of years needed to accomplish project goals.

DP 97 - MTAP Human Services Specialist FTE - The legislature accepted the executive request to add \$73,005 state special revenue over the biennium for 1.0 FTE human services specialist position for MTAP. This position will be responsible for providing installation, service and training in use of telephone devices and related equipment for deaf and hearing-impaired Montanans.

DP 421 - Transfer Tobacco Control and Prevention Program - The legislature transferred 5.0 FTE and \$3 million total funds (\$1 million general fund) over the biennium from the Health Policy and Services Division to the Interagency Coordinating Council on Prevention in the Director's Office. The legislature added language to HB 2 indicating its intent that the Interagency Coordinating Council administer the program.

DP 425 - HB 124 - Revise Local Government Funding - The legislature passed HB 124, which revises local government funding. One of the changes in HB 124 replaces county funding of public welfare and foster care functions with general fund. The legislature added \$190,248 general fund over the biennium and reduced state special revenue county funds by \$181,489. The net increase in general fund (\$8,759 over the biennium) supports the pay plan increase that would have been funded from county funds prior to the passage of HB 124. The pay plan appropriation was included in HB 2 since the pay plan bill (HB 13) was transmitted to the Governor prior to the passage of HB 124.

DP 623 - Shift Funding to Child Support Enforcement - DPHHS - The legislature approved a plan submitted by DPHHS that shifts \$250,000 general fund from various divisions to the Child Support Enforcement Division. This funding shift partially reinstates a reduction in FTE in the Child Support Enforcement Division that was approved by the legislature.

DP 884 - Deputy Director - The legislature approved the executive request to fund a deputy director position. The change adds \$200,000 total funds (including \$74,000 general fund) over the biennium. The legislature reduced general fund in the Director's Office budget by \$80,000 over the biennium to offset this cost increase (present law adjustment DP 695).

Language

Item [Director's Office] includes \$1,482,291 in fiscal 2002 and \$1,482,748 in fiscal 2003 for the tobacco prevention and control program. It is the intent of the legislature that the Interagency Coordinating Council on Prevention administer the tobacco control and prevention program.

Funds in item [deputy director appropriation] may be used only to fund a deputy director position within the department.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	189.75	0.00	(6.00)	183.75	0.00	(6.00)	183.75	183.75
Personal Services	6,071,450	686,537	75,292	6,833,279	722,366	73,058	6,866,874	13,700,153
Operating Expenses	2,278,971	174,596	877,695	3,331,262	152,589	142,786	2,574,346	5,905,608
Equipment	0	0	0	0	0	0	0	0
Local Assistance	6,249	0	0	6,249	0	0	6,249	12,498
Debt Service	12,458	0	0	12,458	0	0	12,458	24,916
Total Costs	\$8,369,128	\$861,133	\$952,987	\$10,183,248	\$874,955	\$215,844	\$9,459,927	\$19,643,175
General Fund	211	(211)	225,000	225,000	(211)	225,000	225,000	450,000
State/Other Special	2,327,013	679,528	70,606	3,077,147	683,939	(147,023)	2,863,929	5,941,076
Federal Special	6,041,904	181,816	657,381	6,881,101	191,227	137,867	6,370,998	13,252,099
Total Funds	\$8,369,128	\$861,133	\$952,987	\$10,183,248	\$874,955	\$215,844	\$9,459,927	\$19,643,175

Program Description

The Child Support Enforcement Division (CSED) is responsible for pursuing and obtaining financial and medical support for children. The division pursues establishment of paternity, enforcement of child support court orders, and collection of financial support owed by obligated parents. Division staff locate absent parents, identify and locate assets, establish paternity, and ensure that obligated parents maintain medical insurance coverage for their dependent children. Child support services are provided to families receiving public assistance and families not on public assistance who request services. Child support services are available to families regardless of income level.

Activities performed by the division are authorized in Title 40, Chapter 5, MCA and are mandated under Title IV-D of the Social Security Act, 42 USC 651 et seq., and 45 CFR, Chapter 3.

Program Narrative

The legislature adopted a portion of the CSED 15 percent reduction plan, which resulted in a reduction by 26.0 FTE. The state special revenue that supported these FTE (\$357,446 annually) was moved to the Operations and Technology Division to fund the System for the Enforcement and Recovery of Child Support (SEARCHS) costs and the general fund support for the SEARCHS system was reduced by this amount. The legislature subsequently approved three actions, which when combined result in reinstatement of these 26.0 FTE. The three actions taken by the legislature to reinstate these FTE included:

1. approval of a plan submitted by the department to shift \$125,000 general fund and matching federal funds per year from various divisions within the department to the Child Support Enforcement Division to support 10.0 FTE;
2. provision of \$100,000 general fund and matching federal funds per year to reinstate 8.0 FTE; and
3. provision of \$132,000 state special revenue and \$256,235 federal funds per year to support 8.0 FTE.

The legislature also removed 8.0 FTE that had been vacant for more than seven months. The funding for these positions remains in the approved budget. However, the division must request the positions as new positions in the 2005 biennium budget request.

Funding

The 2003 biennium budget for CSED is funded by \$450,000 general fund, with the balance of the division's budget being funded by state special revenue and federal funds. Federal funds provide approximately 67 percent of the funding for the division.

The primary sources of state special revenue for CSED consist of:

1. retention of the state's share of child support collections for clients who receive or have received assistance from Families Achieving Independence in Montana (FAIM), Montana's TANF program; and
2. performance-based incentive funds awarded by the federal government.

The child support state special revenue account also provides approximately \$1.3 million, or 19.1 percent of the funding needed to support the System for the Enforcement and Recovery of Child Support (SEARCHS) automated system. The general fund provides \$1.0 million or 14.9 percent of the funding for SEARCHS and federal funds provide \$4.4 million or 66.0 percent.

Table 19
Child Support Enforcement Division Funding

Fund Source	Fiscal 2000 Actual	Legislative Appropriation		Percent of Total
		Fiscal 2002	Fiscal 2003	
General Fund	\$211	\$225,000	\$225,000	2.4%
Percent of Total	0.0%	2.2%	2.4%	
State Special Revenue				
Child Support State Share	\$2,327,013	\$3,077,147	\$2,863,929	30.3%
Percent of Total	27.8%	30.2%	30.3%	
Federal Funds				
Child Support IVD 66 Percent	5,718,559	6,469,524	5,958,562	63.0%
TANF Benefits	198,281	247,331	248,190	2.6%
Access and Visitation Grant	41,858	100,000	100,000	1.1%
Child Support IVD 90 Percent	83,206	64,246	64,246	0.7%
Subtotal Federal Funds	\$6,041,904	\$6,881,101	\$6,370,998	67.3%
Percent of Total	72.19%	67.57%	67.35%	
Total Funds	\$8,369,128	\$10,183,248	\$9,459,927	100.0%
Increase Above Base		21.7%	13.0%	
Annual Rate of Change from Base		10.3%	4.2%	

Table 19 summarizes the actual and anticipated revenue and expenditures of child support state special revenue for fiscal 2000 through fiscal 2003. Revenues are expected to stabilize at approximately \$4.1 million per year. Expenditures vary from year to year due in part to the amount of general fund support provided to CSED and the costs associated with SEARCHS. Because 2001 biennium collections of state special revenue were greater than anticipated, the department plans to:

- Revert \$646,725 general fund appropriated to support the division in fiscal 2000
- Transfer \$638,154 general fund appropriated in fiscal 2001 to the Addictive and Mental Disorders Division for mental health services
- Utilize \$856,674 of state special revenue instead of general fund in fiscal 2001 for costs of the SEARCHS system

The balance in the child support state special revenue fund is estimated to be \$1.0 million at the end of the 2003 biennium. However, as Table 20 illustrates, the ongoing revenue in this fund is not adequate to support ongoing expenditures. In the 2003 biennium \$1.4 million general fund supports costs associated with the CSED and the SEARCHS system. The child support state special revenue fund continues to have a structural imbalance when revenues are compared to total expenditures for the CSED and the SEARCHS system.

The revised federal incentive program included in the Child Support Performance and Incentive Act of 1998, has been beneficial to Montana. However, federal law includes language requiring states to utilize the federal incentive funds to supplement child support enforcement programs and not to supplant current funding for programs. Failure to comply with this requirement could result in the loss of federal incentive funds equal to the amount of funds supplanted. Compliance with this requirement will be measured by using the expenditure level for either the average of the three federal fiscal years 1996, 1997, and 1998, or federal fiscal 1998 as the base. The department has determined that it is most beneficial for Montana to use federal fiscal 1998 as the base for determining compliance.

Description	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003
Beginning Balance	\$400,949	\$493,672	\$317,011	\$837,514
Revenues:				
State Share of TANF Collections	\$1,242,632	\$1,180,500	\$1,121,475	\$1,065,402
Federal Incentive Funds	1,946,280	2,689,863	2,965,620	3,035,588
Other Revenue	23,162	18,000	18,000	18,000
Total Revenues	\$3,212,074	\$3,888,363	\$4,105,095	\$4,118,990
Expenditures:				
CSED Legislative Appropriation	\$2,327,013	\$2,420,196	\$3,077,147	\$2,863,929
Cost Allocation	145,613	150,000	150,000	37,013
SEARCHS System *	0	856,674	357,446	906,446
2001 Biennium Funding Change*	646,725	638,154	0	0
Total Expenditures	\$3,119,351	\$4,065,024	\$3,584,593	\$3,807,388
Revenue Over (Under) Expenses	\$92,723	(\$176,661)	\$520,502	\$311,602
Ending Balance	\$493,672	\$317,011	\$837,514	\$1,149,115
Summary of General Fund Support :*				
CSED Legislative Appropriation			\$225,000	\$225,000
SEARCHS Legislative Appropriation			737,391	254,214
Total General Fund Support			\$962,391	\$479,214

*Notes:
CSED is the Child Support Enforcement Division.
SEARCHS is the System for the Enforcement and Recovery of Child Support.
CSED received a general fund appropriation for the 2001 biennium. However, the department plans to revert the fiscal 2000 appropriation of \$646,725 and to transfer the fiscal 2001 appropriation of \$638,154 to the Addictive and Mental Disorders Division. State special revenue will be used to fund CSED costs rather than general fund in the 2001 biennium.
The legislature appropriated general fund of \$962,391 in fiscal 2002 and \$479,214 in fiscal 2003 to support CSED and SEARCHS costs.

Other sources of federal funds supporting CSED include:

- the Temporary Assistance for Needy Families (TANF) block grant (\$495,521), which supports 7.0 FTE liaisons whose duty is to help welfare recipients and workers in welfare offices understand child support
- the Access and Visitation Grant (\$200,000), a federal grant with the objective of facilitating access to and visitation with their children by noncustodial parents

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services				965,557						1,002,883
Vacancy Savings				(190,720)						(191,840)
Inflation/Deflation				(2,636)						(809)
Fixed Costs				41,786						43,858
Total Statewide Present Law Adjustments				\$813,987						\$854,092
DP 11 - Voice Response Unit Enhancements	0.00	0	10,200	19,800	30,000	0.00	0	0	0	0
DP 12 - Contract Adjustments	0.00	0	10,880	21,120	32,000	0.00	0	10,880	21,120	32,000
DP 13 - Office Lease Renegotiation for Inflation	0.00	0	3,005	5,833	8,838	0.00	0	4,397	8,535	12,932
DP 14 - Access and Visitation Grant	0.00	0	11,111	59,816	70,927	0.00	0	11,111	59,816	70,927
DP 696 - Data Network Fixed Cost Reduction	0.00	0	(575)	(2,244)	(2,819)	0.00	0	(575)	(2,244)	(2,819)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	0	0	0	0	0.00	0	0	0	0
DP 699 - Vacancy Savings at 4 Percent	0.00	0	(30,096)	(61,704)	(91,800)	0.00	0	(30,221)	(61,956)	(92,177)
Total Other Present Law Adjustments	0.00	\$0	\$4,525	\$42,621	\$47,146	0.00	\$0	(\$4,408)	\$25,271	\$20,863
Grand Total All Present Law Adjustments				\$861,133						\$874,955

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 11 - Voice Response Unit Enhancements - The legislature approved \$30,000 in state special revenue and federal funds in the first year of the biennium for upgrades to the voice response system. System upgrades would allow customers more automated options, including access to more payment information and information regarding obligor notices.

DP 12 - Contract Adjustments - The legislature approved \$64,000 in state special revenue and federal funds for the biennium to fund adjustments in contracts for the Customer Service Unit (\$24,000) and New Hire Reporting (\$40,000).

DP 13 - Office Lease Renegotiation for Inflation - The legislature approved \$21,770 state special revenue and federal funds for the biennium to support increased costs for office leases. This represents an increase of 2.6 percent in fiscal 2002 and an additional 1.1 percent in fiscal 2003.

DP 14 - Access and Visitation Grant - The legislature approved \$141,854 of state special revenue and federal funds for the biennium for the Access and Visitation Grant. The purpose of this grant is to facilitate non-custodial parents' access to and visitation with their children.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 10 - Funding of 2 FTE										
05	2.00	0	27,327	53,047	80,374	2.00	0	27,423	53,234	80,657
DP 99 - SEARCHS Level of Effort Increase										
05	0.00	0	209,104	405,908	615,012	0.00	0	0	0	0
DP 100 - Financial Institutions Data Match										
05	0.00	0	51,000	99,000	150,000	0.00	0	51,000	99,000	150,000
DP 501 - Cost Study of Raising a Child in Montana										
05	0.00	0	8,621	113,793	122,414	0.00	0	0	0	0
DP 603 - HB 64 Plan, Close Regional CSED Office/Fund SEARCH										
05	(26.00)	0	(357,446)	(707,366)	(1,064,812)	(26.00)	0	(357,446)	(707,366)	(1,064,812)
DP 615 - Partially Reinststate CSED Reduction										
05	8.00	100,000	0	194,117	294,117	8.00	100,000	0	194,117	294,117
DP 622 - Partially Reinststate CSED Reduction - DPHHS Plan										
05	10.00	125,000	0	242,647	367,647	10.00	125,000	0	242,647	367,647
DP 630 - Reinststate FTE Reduction										
05	8.00	0	132,000	256,235	388,235	8.00	0	132,000	256,235	388,235
DP 689 - FTE Reduction										
05	(8.00)	0	0	0	0	(8.00)	0	0	0	0
Total	(6.00)	\$225,000	\$70,606	\$657,381	\$952,987	(6.00)	\$225,000	(\$147,023)	\$137,867	\$215,844

New Proposals

DP 10 - Funding of 2 FTE - The legislature approved \$161,031 state special revenue and federal funding for 2.0 FTE at grade 14, including 1.0 FTE paralegal and 1.0 FTE obligor liaison. The paralegal would complete legal research and assist the CSED central office attorney. The obligor liaison would be responsible for promoting good relationships with obligors by doing outreach and by assisting obligors in understanding their roles and responsibilities in terms of the process of collecting child support.

DP 99 - SEARCHS Level of Effort Increase - The legislature approved \$209,104 state special revenue and \$405,908 federal funds to increase the level of effort on the SEARCHS system facility maintenance contract by 20 percent.

DP 100 - Financial Institutions Data Match - The legislature approved \$300,000 state special revenue and federal funds for the biennium for costs of completion of financial institution data matches. The Personal Responsibility and Work Opportunities Reconciliation Act requires that states enter into agreements with financial institutions conducting business within their state for the purpose of completing data matches in order to locate accounts belonging to parents delinquent in child support. Data matches with financial institutions must be completed each calendar quarter. Once an account has been identified by the data match, the account may be frozen and seized to satisfy the parent's child support obligation. The financial institution data match is also a requirement for federal certification of SEARCHS.

DP 501 - Cost Study of Raising a Child in Montana - The legislature approved state special revenue and federal funding of \$122,414 in the first year of the biennium for completion and administration of a study of the cost of raising a child in the State of Montana. The results of this study will be utilized in the periodic review of the Uniform Child Support Guidelines prescribed by 40-5-209, MCA.

DP 603 - HB 64 Plan, Close Regional CSED Office/Fund SEARCH - The legislature approved the portion of the Child Support Enforcement plan (15 percent reduction), required by HB 64 of the 1999 session, regarding closure of a regional CSED office including a reduction of 26.0 FTE. The legislature approved usage of the state special revenue available

due to this reduction, rather than general fund, to fund SEARCHS system costs in the Operations and Technology Division. Other legislative action restored all 26.0 FTE (see new proposal 615, 622, and 630).

DP 615 - Partially Reinstate CSED Reduction - The legislature provided \$100,000 general fund per year and federal matching funds to reinstate 8.0 of a 26.0 reduction in FTE that was approved by the legislature.

DP 622 - Partially Reinstate CSED Reduction - DPHHS Plan - The legislature approved a plan submitted by the department that provides \$250,000 general fund from other divisions in the department to the Child Support Enforcement Division to reinstate 10.0 of a 26.0 reduction in FTE in that was approved by the legislature.

DP 630 - Reinstate FTE Reduction - The legislature provided \$132,000 state special revenue and \$256,235 federal fund per year to reinstated 8.0 of the 26.0 FTE reduction made as included in the division's HB 64, 15 percent reduction plan.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

Funds included in item [Financial Institutions Data Match] may be used only to support costs for the completion of a financial institution data match.

Funds included in item [Cost Study - Raising a Child in Montana] may be used only to support the costs incurred to complete a study of the costs of raising a child in Montana.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	146.52	7.00	0.50	154.02	7.00	0.50	154.02	154.02
Personal Services	6,226,859	198,990	115,592	6,541,441	239,763	115,992	6,582,614	13,124,055
Operating Expenses	15,603,433	1,850,656	(1,296,137)	16,157,952	1,547,739	(288,780)	16,862,392	33,020,344
Equipment	336,877	24,000	90,709	451,586	0	90,709	427,586	879,172
Capital Outlay	0	0	0	0	0	0	0	0
Grants	6,527,225	50,000	746,420	7,323,645	50,000	462,410	7,039,635	14,363,280
Benefits & Claims	209,802,306	58,591,649	6,661,857	275,055,812	76,287,480	9,164,413	295,254,199	570,310,011
Debt Service	2,576	0	0	2,576	0	0	2,576	5,152
Total Costs	\$238,499,276	\$60,715,295	\$6,318,441	\$305,533,012	\$78,124,982	\$9,544,744	\$326,169,002	\$631,702,014
General Fund	48,619,148	11,294,715	4,324,902	64,238,765	15,156,841	4,766,885	68,542,874	132,781,639
State/Other Special	11,561,315	1,589,965	(5,962,537)	7,188,743	2,242,300	(6,022,730)	7,780,885	14,969,628
Federal Special	178,318,813	47,830,615	7,956,076	234,105,504	60,725,841	10,800,589	249,845,243	483,950,747
Total Funds	\$238,499,276	\$60,715,295	\$6,318,441	\$305,533,012	\$78,124,982	\$9,544,744	\$326,169,002	\$631,702,014

Program Description

The Health Policy and Services Division is responsible for the planning and implementation of statewide health policy. The purpose of the division is to improve and protect the health and safety of Montanans. The division provides a wide range of preventive, primary, acute care, and public health services to individuals and communities through contracts with a broad range of private and public providers, including physicians, public health departments, clinics, and hospitals. The division administers public health programs including, but not limited to, Women's, Infants, and Children's Special Nutrition Program (WIC), Maternal and Child Public Health Services, Immunization Programs, STD/HIV prevention, Emergency Medical Services, Family Planning, Abstinence Education, acute and primary care components of the Medicaid Program, and the Children's Health Insurance Program (CHIP). Public health is administered at both the state level and at the local level through contract arrangements with local public health and other health service agencies. The division contracts with over 500 non-profit providers for the delivery of health care services. The Medicaid Program is a voluntary state/federal partnership to provide and finance these services for low-income persons who are aged, blind, or disabled, or in families with dependent children. To be eligible for Medicaid, an individual must meet income and resource guidelines and be included in a family with dependent children or be determined by SSI to be elderly or disabled. The division administers the CHIP Program through a contract with an insurance plan. The division also manages the functions of the tumor registry and the environmental laboratory.

Biennial Budget Comparison

The Program Legislative Budget, Present Law Adjustment, and New Proposal tables all measure the change in the 2003 biennium appropriation compared to base budget expenditures in fiscal 2000. However, a significant proportion of the present law adjustments in this program are related to incremental changes between fiscal 2000 actual costs and the fiscal 2001 appropriation increases for provider rates and growth in Medicaid caseloads. The changes between fiscal 2000 and fiscal 2001 program costs are a component of some of the present law adjustments approved by the legislature.

Table 21 compares the 2003 biennium appropriation to the actual expenditures and appropriation for the 2001 biennium. The 2003 biennium appropriation does not include the pay plan increase. The 2003 biennium appropriation is \$141 million higher than the 2001 biennium, excluding the supplemental appropriation for fiscal 2001 approved in HB 3. If the supplemental appropriation for fiscal 2001 is included, the biennial difference drops to \$125 million.

The rest of the tables in this narrative compare changes in the 2003 biennium appropriation to fiscal 2000 base budget expenditures. When the 2003 biennium appropriation is compared to base budget expenditures the biennial increase is \$155 million total funds, including \$35.5 million general fund. Calculating the 2003 biennium appropriation change compared only to base budget expenditures results in a change that is \$14 million higher than comparing biennial amounts and \$2.9 million general fund higher than comparing the biennial amounts.

Benefit cost increases account for nearly 99 percent of the increase between the 2003 and 2001 biennia. Medicaid caseload growth and pharmacy cost inflation, provider rate increases, and a new Medicaid intergovernmental transfer program for county operated critical access hospitals are the most significant cost drivers. Operating cost increases account for almost 2 percent of the total change, largely due to computer system upgrades and federal categorical grant increases. Reductions in grant costs offset some of the increases in other areas and are due to elimination of the tobacco prevention and control program and transfer of the remaining budget and FTE to the Director's Office.

General fund is 23 percent of the total increase, growing largely due to a funding shift from HB 124 that reallocated tax revenues and some responsibilities between the state and local governments. HB 124 eliminated the 9-mill property tax levy that 13 state-assumed counties had been required to levy and remit to the state for administration of public welfare and child welfare services. The legislature reduced state special revenue by \$16 million and increased general fund by a like amount due to passage of HB 124 and changes in the amount that 9-mills would generate.

Federal funds support the majority of the 2003 biennium increase, accounting for 81 percent of the total. Federal funds increase due to Medicaid cost increases, the increase in the federal match rate for Medicaid services, and federal grant increases.

Supplemental Offset in 2003 Biennium

DPHHS testified that it would undertake several changes in hospital reimbursement in order to mitigate the supplemental appropriation in the 2003 biennium. The changes include:

- Reducing reimbursement to out-of-state hospitals to the in-state hospital rate
- Altering diagnostic related group (DRG) rates to reflect changes in case mix and to account for the capital cost component on a retrospective basis
- Raising the threshold at which a cost is considered an "outlier" and additional reimbursement beyond the DRG rate is paid

Program Narrative

The Health Policy and Services Division (HPSD) budget request is \$155 million higher over the 2003 biennium, when compared to base budget expenditures. As summarized in the Proposed Legislative Budget table, present law adjustments add \$139 million, including \$26.5 million general fund, and new proposals add \$16 million, including \$9

Table 21
2001 Biennium Compared to 2003 Biennium*
Health Policy and Services Division

Budget Item/Fund	2001 Biennium	2003 Biennium	Change	Percent of Total
FTE**	146.47	154.02	7.55	
Personal Services	\$12,349,017	\$13,124,055	\$775,038	0.5%
Operating	30,734,301	33,020,344	2,286,043	1.6%
Equipment	580,114	879,172	299,058	0.2%
Grants	15,962,396	14,363,280	(1,599,116)	-1.1%
Benefits/Claims	431,063,952	570,310,011	139,246,059	98.7%
Debt Service	3,371	5,152	1,781	0.0%
Total Costs	<u>\$490,693,151</u>	<u>\$631,702,014</u>	<u>\$141,008,863</u>	100.0%
General Fund	100,090,852	132,781,639	32,690,787	23.2%
State Special	21,488,541	14,969,628	(6,518,913)	-4.6%
Federal Funds	<u>369,113,758</u>	<u>483,950,747</u>	<u>114,836,989</u>	81.4%
Total Funds	<u>\$490,693,151</u>	<u>\$631,702,014</u>	<u>\$141,008,863</u>	100.0%
Percent Increase			29%	
<u>Total With Supplemental***</u>				
HB 2 Total	\$490,693,151	\$631,702,014	\$141,008,863	
Supplemental General Fd	4,437,807	0	(4,437,807)	
Supplemental Fed. Fd.	<u>11,965,517</u>	<u>0</u>	<u>(11,965,517)</u>	
Total With Supplemental	<u>\$507,096,475</u>	<u>\$631,702,014</u>	<u>\$124,605,539</u>	
Percent Increase			25%	

*The pay plan appropriation for the 2003 biennium is not included.

**2001 biennium FTE are the number funded for fiscal 2001.

***The 2001 biennium includes the supplemental request approved in HB 3.

million general fund.

Significant Budget Proposals

The biennial cost of the most significant changes approved by the legislature is:

- \$66 million, including \$17 million general fund, for Medicaid caseload growth and cost increases
- \$41 million total funds, including \$9 million state special revenue, in response to legislative audit findings that require budgeting of expenditures that were abated in the Medicaid and WIC program base budgets
- \$21.5 million, including \$4 million general fund and 6.0 FTE, to fully fund CHIP which was phased in during the 2001 biennium
- \$9 million, including \$1.6 million general fund and \$0.9 million interest from the newly created tobacco settlement constitutional trust fund, for Medicaid provider rate increases
- \$5.9 million and funding for 5.5 FTE for 11 new or increased federal grants
- \$5 million in federal Medicaid funds for outreach and matching funds for Medicaid eligible services provided by schools
- \$0.9 million general fund for implementation of the trauma system, fiber optic equipment for rural hospitals, state matching funds for federal WIC vouchers for use at farmers' markets, continuation of the certificate of need program for major medical facilities, and assistance for Montanans exposed to asbestos
- \$0.8 million for AIDS funding increases including \$84,010 general fund
- \$0.3 million state special revenue, including 2.0 FTE for lab, emergency medical technician certification, and inspection services funded by fee revenues

The legislature also approved a significant funding switch that increased general fund by \$15.6 million to implement HB 124, a bill that reallocated certain taxes between state and local governments and transferred administration of public welfare and child welfare programs to the state. Previously, 13 counties had opted to transfer administration of these programs to the state and levied and remitted 9 mills of local property tax revenue to the state. The 9-mill levy state special revenue had been expended as state match for Medicaid services. The legislature replaced the 9-mill levy income with \$15.6 million general fund over the biennium.

Appropriation increases for this program were partially offset by reductions in the tobacco control and prevention program. The legislature approved the executive request to reduce expenditures by \$6 million general fund over the biennium and transfer 5.0 FTE and \$3 million, including \$1 million general fund, to the Director's Office.

Funding

Table 22 shows base budget expenditures and the 2003 biennium appropriation by fund. General fund supports about 21 percent of the division budget in the 2003 biennium. The biggest share of general fund provides matching funds for the Medicaid programs administered by the division - about \$121 million (or 91 percent) of the \$133 million general fund appropriation for the 2003 biennium. Matching costs for CHIP account for \$6 million general fund over the biennium. After deducting for Medicaid and CHIP state match, \$6 million or 4.5 percent of the division general fund budget supports other programs and functions.

State special revenue declines from about 5 percent of funding in the base budget to 2 percent in fiscal 2003, largely due to the impact of HB 124. The most significant source of state special revenue is Medicaid drug rebate collections. Rebate collections, as well as the tobacco interest income and funds from county intergovernmental transfer revenue, are used as state match for Medicaid funds.

Drug manufacturers that participate in the Medicaid program agree to rebate a percent of drug sales to Medicaid agencies. Previously, DPHHS used the rebate revenue to abate expenditures. Drug rebates were added to the budget in response to a legislative audit finding that the expenses were more appropriately budgeted and paid on the accounting system.

Table 22
Health Policy and Services Funding Summary

Fund Source	Fiscal 2000 Actual	Legislative Appropriation Fiscal 2002	Fiscal 2003	Percent of Total
General Fund	\$48,619,148	\$64,238,765	\$68,542,874	21.0%
Percent of Total	20.4%	21.0%	21.0%	
State Special Revenue				
Drug Rebate Collections	\$0	\$4,346,108	\$4,845,205	1.5%
Public Health Laboratory Fees	1,450,447	1,449,655	1,456,050	0.4%
Food/Lodging License	466,468	503,281	505,181	0.2%
Tobacco Interest Constitutional Trust	0	420,012	505,983	0.2%
Intergovernmental Transfer	0	267,525	266,144	0.1%
Baby Your Baby	68,974	68,974	68,974	0.0%
EMT Certification	21,784	58,134	58,134	0.0%
DHES Food and Consumer	57,365	54,804	54,795	0.0%
9 Mill State Assumed County Levy	9,340,584	0	0	0.0%
CHIP Program	136,151	0	0	0.0%
Indirect/Cost Allocation	19,542	20,250	20,419	0.0%
Subtotal State Special Revenue	<u>\$11,561,315</u>	<u>\$7,188,743</u>	<u>\$7,780,885</u>	2.4%
Percent of Total	4.8%	2.4%	2.4%	
Federal Funds				
Medicaid Benefits - Matching	\$127,966,628	\$167,028,922	\$182,016,481	55.8%
Medicaid Benefits - 100% Fed.	20,538,915	21,538,915	21,588,915	6.6%
Women, Infants & Children	12,553,993	16,478,640	17,559,373	5.4%
CHIP Grant	3,122,076	11,874,487	11,855,085	3.6%
Medicaid Administration	2,634,487	3,661,389	3,663,305	1.1%
Maternal & Child Health Block Grt	2,561,573	2,615,104	2,618,055	0.8%
Family Planning Title X	1,113,957	1,096,996	1,094,812	0.3%
Preventive Health Block Grant	1,043,457	1,091,547	1,097,122	0.3%
AIDS Federal Grant	1,009,360	1,143,560	1,145,368	0.4%
Breast/Cervical Cancer Prev.	1,011,767	1,037,277	1,038,421	0.3%
Vaccination Program	626,280	619,705	623,171	0.2%
Fetal Alcohol Syndrome	0	600,000	600,000	0.2%
Diabetes Control	384,480	693,254	575,720	0.2%
Bioterrorism	0	454,346	454,346	0.1%
Ryan White Act, Title II	447,057	718,033	718,029	0.2%
Data Integration	349,311	311,176	311,408	0.1%
Abstinence Education	277,203	275,999	275,994	0.1%
Cardiovascular Disease	0	260,902	237,768	0.1%
Primary Care Services	125,185	257,842	229,197	0.1%
Sexually Transmitted Disease	246,848	252,666	253,875	0.1%
Bunker Hill Project	0	200,000	200,000	0.1%
Montana Lead Poison - Prev.	163,759	163,604	163,603	0.1%
E. Coli Lab and Epidemiology	86,239	160,229	160,227	0.0%
Trauma System Development	151,636	150,154	150,143	0.0%
Fetal/Infant/Child Mortality Review	136,659	286,659	136,659	0.0%
Tuberculosis Grant	132,893	132,556	132,555	0.0%
EMS - Highway Traffic Safety	25,876	108,876	108,876	0.0%
Healthy Child	93,021	97,862	98,131	0.0%
Chronic Disease	80,229	92,984	93,292	0.0%
EMS Data Injury	93,750	92,268	92,257	0.0%
Search Grant	69,527	69,300	69,298	0.0%
Seroprevalence/Surveillance	55,964	55,521	55,520	0.0%
Food Inspection Program	12,560	30,976	32,669	0.0%
Birth Defects Surveillance	0	60,455	0	0.0%
Tobacco Control	818,179	0	0	0.0%
Indirect/Cost Allocation	385,944	393,300	395,568	0.1%
Subtotal Federal Funds	<u>\$178,318,813</u>	<u>\$234,105,504</u>	<u>\$249,845,243</u>	76.6%
Percent of Total	74.8%	76.6%	76.6%	
Total Funds	<u>\$238,499,276</u>	<u>\$305,533,012</u>	<u>\$326,169,002</u>	100.0%
Increase Above Base		28.1%	36.8%	
Annual Rate of Change from Base		13.2%	11.0%	

Federal funds support 77 percent of the budget, with Medicaid benefit and administrative matching funds providing \$399 million over the biennium or about 83 percent of total federal funding. The second most significant source is the grant for the WIC program with \$34 million, followed by federal CHIP grant funds at \$24 million. The division also receives two federal block grants - The Maternal Child Health Block Grant (MCH) and Preventive Health Block Grant (PH) - that provide \$7.4 million over the biennium.

The remaining federal funding sources are categorical federal grants for specific purposes.

Allocation of MCH and PH Block Grants

Table 23 shows the allocation of the MCH and PH block grants by function for fiscal 2000 compared to the 2003 biennium appropriation. The legislature accepted the executive proposals regarding these grants.

The MCH grant is \$2.7 million annually. Federal regulations specify that: 1) not more than 10 percent of the MCH grant may be used for administering the program; 2) at least 30 percent of the MCH grant must be used for preventive and primary services for children; and 3) at least 30 percent must be used for children with special needs. The state must conduct a comprehensive statewide assessment of MCH needs every 5 years. The MCH grant requires that MCH funds be matched with \$3 state or local funds for every \$4 block grant funds. Entities that receive allocations from the MCH grant provide the required match. The state must maintain the level of state funding provided for MCH programs in fiscal 1989 - \$485,480.

Montana receives about \$1.2 million annually for the PH grant. No more than 10 percent of the block grant can be spent for administration that is cost allocated (estimated at 5.4 percent in the 2003 biennium). Some of the funds must be used for sexual assault and rape prevention programs. Funds can be used to provide seed money for priority health programs that can be funded from other sources later, and state-identified health problems and public health infrastructure for which there is no other funding source. An advisory committee makes recommendations on the allocation of the PH grant using criteria to rank the size and seriousness of a health problem, the effectiveness of intervention, and the availability of funding from other sources.

Block Grant/Allocation	Actual Fiscal 2000	Legislative Appropriation		Percent of Total
		Fiscal 2002	Fiscal 2003	
<u>Maternal and Child Health Block Grant</u>				
Cost Allocated Administration*	\$107,874	\$102,169	\$102,150	3.7%
Family/Community Health Bur.**	1,375,852	1,415,164	1,415,453	51.9%
Children's Special Health Serv.	842,307	858,626	860,271	31.6%
MIAMI/Perinatal**	268,518	272,123	273,159	10.0%
Family Planning	74,896	74,896	74,896	2.7%
Total Maternal & Child Block Grant	<u>\$2,669,447</u>	<u>\$2,722,978</u>	<u>\$2,725,929</u>	<u>100.0%</u>
Expected Maternal Child Health Grant Amount		<u>\$2,567,703</u>	<u>\$2,567,703</u>	
Appropriation Over (Under) Grant Amount		<u>\$155,275</u>	<u>\$158,226</u>	
<u>Preventive Health Block Grant</u>				
Cost Allocated Administration*	\$62,648	\$60,568	\$60,561	5.2%
Health Systems Bureau	316,405	332,076	334,033	28.8%
Emergency Medical Servs.	204,368	222,847	226,116	19.5%
Sexual Assault/Rape Prevent.	190,984	194,579	194,635	16.8%
Family Planning	171,000	171,000	171,000	14.7%
Chronic Disease	76,882	89,307	89,607	7.7%
Tuberculosis	31,767	31,767	31,767	2.7%
Public Health Lab	29,500	29,500	29,500	2.5%
Immunization	24,505	24,505	24,505	2.1%
Health Planning	0	(410)	(412)	0.0%
Adjustments	(1,954)	(1,954)	(1,954)	-0.2%
Total Preventive Health Block Grant	<u>\$1,106,105</u>	<u>\$1,153,785</u>	<u>\$1,159,358</u>	<u>100.0%</u>
Expected Preventive Health Grant Amount		<u>\$1,040,245</u>	<u>\$1,040,245</u>	
Appropriation Over (Under) Grant Amount		<u>\$113,540</u>	<u>\$119,113</u>	
*Administrative costs include administrative functions throughout the department that are cost allocated. DPHHS staff indicate that divisions supported by costs from these block grants include: Health Policy and Services; Operations and Technology; Directors Office; and Quality Assurance.				
**These costs represent contracts with counties for services.				

The amounts shown as appropriated for cost allocated administration for both grants are based on allocations in the base budget plus some adjustments for vacancy savings and data network fees by the legislature. The total block grant appropriations exceed the amounts listed in Table 22 because the cost allocated administrative costs are included.

The appropriations from the block grants exceed the expected grant amounts in each year of the 2003 biennium. The department will either need to reduce program expenditures funded from the block grants or use other funding sources such as general fund to cover expenditures that exceed block grant appropriations.

Appropriation by Major Function and Service

Table 24 shows the division budget request by major functional area.

Division administration increases about \$239,000 over the biennium, largely due to a new federal grant to provide health screenings for exposure to lead.

Medicaid provides health services to low-income persons who are blind, aged, disabled, or in families with dependent children. Medicaid services account for 85 percent of the total fiscal 2003 appropriation and increases \$127 million, including \$38 million general fund, over the biennium. Budget increases are largely due to growth in the number of persons eligible for services, inflation increases in the cost of drugs, provider rate increases, an intergovernmental transfer program for county hospitals, an eligibility outreach program, and an accounting change.

The Health Systems Bureau includes staff and resources that administer public health programs such as emergency medical services, emergency medical technician testing, licensing, and re-certification, tobacco control, and diabetes control. The 2003 biennium appropriation declines by more than \$6 million general fund from the fiscal 2000 base, due to a reduction in the tobacco control and prevention program and transfer of the remaining funding and FTE to the Director's Office. The reduction is partially offset by increases in: 1) general fund to support implementation of the trauma system; 2) federal grants for cardiovascular disease, diabetes control, and primary care services; and 3) state special revenue for additional licensure and certification activities for emergency medical technicians.

The Family and Community Health Bureau administers public health programs for children and families including the WIC program, Family Planning, the Montana Initiative for the Abatement of Mortality in Infants (MIAMI), perinatal programs, Children's Special Health Services, and county grants from the MCH grant. The biennial appropriation is almost \$11 million greater than the base almost entirely due to increases in federal funds. Changes for the WIC program to comply with a legislative audit finding and a computer system enhancement add \$8 million federal funds over the biennium. Federal grants for fetal alcohol syndrome education and prevention and infant mortality review add another \$1.6 million.

The Communicable Disease Prevention Bureau oversees the Public Health Laboratory, the AIDS and sexually transmitted disease prevention programs, sexual assault programs, and communicable disease and tuberculosis prevention programs. The appropriation increases about \$2 million over the biennium due to federal grants for bioterrorism preparedness, AIDS treatment and prevention, and laboratory improvements. State special revenue increases for laboratory staff and revenue transfers to counties to perform inspections are the other significant changes. The legislature added about \$80,000 general fund to the AIDS program for treatment.

CHIP provides funds for an insurance program for children in families with incomes less than 150 percent of the federal poverty level (\$26,475 for a family of 4 in 2001). The CHIP program, although accounting for only 4.5 percent of the total division budget request in fiscal 2003, shows the second largest change, adding \$21 million, including \$4 million general fund, over the biennium. CHIP is funded from an annual federal grant allocation of about \$13 million, which requires a state match of about 19 percent.

Table 24 also shows the individual grants and benefits base budget expenditures compared to the 2003 biennium budget and compared to the total division expenditures and 2003 biennium appropriation. Grants account for about 2 percent of the fiscal 2003 division appropriation, while benefits comprise 90 percent of the total. Together, grants and benefits account for 94 percent of the general fund appropriation for the division in fiscal 2003.

Table 24
Fiscal 2000 Base Budget Compared to 2003 Biennium Legislative Appropriation
Health Policy and Services Division

Major Function Grants and Benefits	Fiscal 2000 Actuals			Fiscal 2002 Legislative Appropriation			Fiscal 2003 Legislative Appropriation			Percent of Total
	General Fund	SSR	Total	General Fund	SSR	Total	General Fund	SSR	Total	
Major Function										
Division Administration	\$231,337	\$19,542	\$986,134	\$220,795	\$1,772	\$880,492	\$223,286	\$1,876	\$882,903	0.3%
Medicaid Services	41,773,578	9,409,538	202,323,166	58,289,276	5,102,619	192,233,488	62,826,244	5,686,306	207,272,978	275,785,528
Health Systems	4,002,134	21,784	7,475,223	882,557	58,028	3,507,324	686,606	58,028	3,345,242	4,089,876
Family & Community Health	1,287,751	0	18,263,941	1,334,443	0	21,758,699	1,355,188	0	22,629,779	23,984,967
Communicable Disease Prev.	655,785	1,974,280	2,893,957	710,648	2,026,324	3,853,701	629,375	2,034,675	3,861,945	6,525,995
CHIP	668,563	136,151	3,122,076	2,801,046	0	11,871,800	2,822,175	0	11,852,396	14,674,571
Total Division Budget	\$48,619,148	\$11,561,315	\$178,318,813	\$64,238,765	\$7,188,743	\$234,105,504	\$68,542,874	\$7,780,885	\$249,845,243	\$326,169,002
Percent of Total	20.4%	4.8%	74.8%	21.0%	2.4%	76.6%	21.0%	2.4%	76.6%	100.0%
Grants										
Women, Infants and Children	\$0	\$0	\$3,188,175	\$0	\$0	\$3,188,175	\$0	\$0	\$3,188,175	45.3%
Family Planning	0	0	1,076,903	0	0	1,076,903	0	0	1,076,903	15.3%
Maternal/Child Health Grt	0	0	1,135,765	0	0	1,135,765	0	0	1,135,765	16.1%
Food/Consumer Safety	0	463,007	0	0	513,007	0	0	513,007	0	513,007
MIAMI	471,942	0	471,942	443,625	0	28,317	443,625	0	28,317	471,942
AIDS Prevention/Treatment	0	0	0	84,010	0	272,333	0	0	272,333	3.9%
Fiber Optic Rural Telehealth	0	0	0	200,000	0	0	0	0	0	0
Bunker Hill	0	0	0	0	0	171,577	0	0	171,577	2.4%
Baby Your Baby	0	68,974	137,948	0	68,974	137,948	0	68,974	68,974	137,948
Healthy Child Grant	0	0	53,485	0	0	53,485	0	0	53,485	0.8%
Assistance for Asbestos	0	0	0	18,500	0	0	18,500	0	0	18,500
Total Grants	\$471,942	\$31,081	\$6,527,225	\$746,135	\$381,981	\$5,995,529	\$462,125	\$381,981	\$5,995,529	\$7,039,635
Percent of Total Grants	7.2%	8.2%	100.0%	10.2%	7.9%	81.9%	6.6%	8.3%	85.2%	100.0%
Percent of Total Division	1.0%	4.6%	2.7%	1.2%	8.1%	2.6%	0.7%	7.5%	2.4%	2.2%
Benefits										
Medicaid Services										
Primary Care Non-Hospital	\$20,930,259	\$9,340,584	\$107,750,258	\$30,681,456	\$4,568,312	\$92,285,614	\$31,245,720	\$4,845,205	\$94,684,042	\$130,774,966
Primary Care Hospital	16,901,535	0	60,778,492	23,556,187	465,333	67,660,728	27,473,738	777,127	80,063,366	108,309,231
Medicare Buy-In	2,408,814	0	8,623,051	2,485,019	0	6,678,032	2,536,943	0	6,866,108	9,403,051
Indian Health Services	595,611	121,295	20,538,915	2,494,447	0	21,538,915	2,512,838	0	21,588,915	21,588,915
CHIP*	0	0	3,498,308	40,000	0	10,372,329	60,000	0	10,553,264	13,066,102
Women, Infants and Children	98,536	0	8,507,783	98,536	0	11,973,783	98,536	0	11,913,783	11,973,783
Health Svcs - Low-Income Children	0	0	0	0	0	0	0	0	0	0
Cardio Vascular Benefits	0	0	0	0	0	31,609	0	0	32,652	32,652
Children's Special Health Svcs	0	0	0	0	0	14,510	0	0	0	0
Tuberculosis Prevention	0	0	5,979	0	0	5,979	0	0	5,979	5,979
Adjustments*	0	0	984	0	0	984	0	0	984	984
Total Benefits	\$40,954,754	\$9,461,879	\$209,802,306	\$59,355,645	\$5,033,645	\$210,666,522	\$63,927,775	\$5,617,332	\$225,709,092	\$295,254,199
Percent of Total Benefits	19.5%	4.5%	100.0%	21.6%	1.8%	76.6%	21.7%	1.9%	76.4%	100.0%
Percent of Total Division	84.2%	81.8%	88.0%	92.4%	70.0%	90.0%	93.3%	72.2%	90.3%	90.5%

*Adjustments included six small amounts, each under \$600, recorded in the base budgets for various functions unrelated to major categories listed in the table.

Grants

The fiscal 2002 appropriation for grants is about \$0.8 million higher than fiscal 2000 expenditures and the fiscal 2003 appropriation is about \$0.5 million higher. The legislature appropriated about \$0.3 million general fund in fiscal 2002 for fiber optic telehealth equipment for rural hospitals (one-time), AIDS treatment, and assistance for Montanans exposed to asbestos. The remainder of the increase in fiscal 2002 and most of fiscal 2003 increases are largely due to federal grants for assistance to Montanans exposed to lead emissions from the Bunker Hill Smelter and AIDS prevention and treatment. Passthrough funds to counties for inspection of public establishments increase \$50,000 annually from the base budget.

Nutrition services and counseling to low-income mothers account for the largest grant in the division (\$3.2 million WIC funds). Family planning grants to local governments are about 15 percent of the total grant budget as are grants for primary and preventive health services for children funded from the Maternal Child Health Block Grant. MIAMI grants to local entities fund services to prevent low birth-weight babies and improve pregnancy outcomes, and are the only grants funded from general fund. Baby Your Baby grants fund services to educate persons about infant and children's health issues. The Healthy Child Grant funds public health nursing services to Head Start and day care programs for education to families and staff, such as first aide and sanitation training.

Benefits

The benefits appropriation is the most significant for the division, accounting for 90 percent of the total 2003 biennium appropriation. Medicaid funded services are the largest component of benefit appropriations.

The largest Medicaid benefit administered by this division - primary care non-hospital services - accounts for 44 percent of the total benefits appropriation. Non-hospital services include services such as physicians, dental, and prescription drugs. Increases in non-hospital services costs are due to inflation in drug costs and utilization, increasing number of persons eligible, and provider rate increases. The 2003 biennium appropriation is about \$43 million higher than the fiscal 2000 base budget, while the general fund share increase is about \$20 million, almost half the increase. The general fund increase is high relative to the total funds increase due to the elimination of 9-mill levy state special revenue and offsetting general fund increase of \$15.5 million. Appropriating drug rebate expenditures and revenues added \$9 million in state special revenue over the 2003 biennium, partially offsetting the 9-mill levy state special revenue reduction.

The appropriation for Medicaid hospital services is 37 percent of the total benefits appropriation. It rises by \$78 million total funds over the biennium and \$17 million general fund compared to base budget expenditures. Increases are due to increasing number of persons eligible, provider rate increases, and an intergovernmental transfer program for county operated critical access hospitals. The primary care hospital budget is overstated because caseload increases for non-hospital services are included in the hospital appropriation.

Another reason that hospital and non-hospital Medicaid costs are increasing is due to rising numbers of persons who are eligible for Medicaid. Department staff testified that recent court decisions have impacted eligibility determination for the disabled category of Medicaid eligibility, resulting in an increased number of persons being determined to be eligible. Typically, disabled persons use more medical services and in some instances more expensive services than persons in other Medicaid eligibility types.

The legislature did not add language in HB 2 indicating how much of the Medicaid appropriation was for hospitals as it has in past biennia. Instead, the appropriation subcommittee directed that the Medicaid hospital services appropriation amount should be clearly stated in the narrative explaining HB 2.

The Medicare buy-in pays for Medicare Part B premiums for Medicaid-eligible persons who are 65 years of age or older. Medicare (federal funds) then pays for 80 percent of their medical expenses, leaving a liability of only 20 percent for Medicaid, which is partially funded with general fund. The 2003 biennial appropriation increase is driven largely by the cost of Medicaid premium increases that are established by federal regulations.

Indian health benefits, funded entirely from federal funds, reimburse the Indian Health Service for medical services provided to Medicaid-eligible persons on the Flathead, Blackfeet, Rocky Boy, Fort Belknap, Crow, Northern Cheyenne, and Fort Peck Indian reservations. The increase in this benefit is attributable to projected cost increases.

CHIP provides health care services for children in families with incomes up to 150 percent of the poverty level (\$26,475 for a family of 4 in 2001). CHIP does not pay for health services for adults. DPHHS contracts with insurance companies for coverage that is similar to benefits provided by the state employee health plan. Unlike Medicaid, CHIP is not an entitlement program and services are limited to the available appropriation. Initially, DPHHS estimated that the 2001 biennium appropriation was adequate to fund services for 10,184 children. However, due to premium increases related to a variety of factors, the number of children that could be covered declined to 9,251. The CHIP appropriation continues the current level program, increasing \$21.5 million total funds and \$4 general fund over the biennium. The increase represents the cost to annualize program start up, which occurred gradually throughout the 2001 biennium.

WIC benefits reflect the amount of food vouchers received by low-income women and children. WIC benefits are about 4 percent of the fiscal 2003 budget request. The WIC benefits appropriation increases nearly \$7 million, due to a \$6.6 million increase to comply with a legislative audit finding to budget expenditures instead of rebate expenses and to \$0.3 million total funds, including \$0.1 million general fund, to provide WIC vouchers for use at farmers' markets.

Health services for low-income children provides up to \$100,000 general fund annually for health care services for children in families with incomes up to 185 percent of the federal poverty level. This appropriation supports the cost of health care services for children in families with incomes in excess of CHIP eligibility limits. In past biennia, language in HB 2 directed DPHHS to contract with public or private entities for the administration and provision of primary and preventive health care benefits to children who are uninsured and not eligible for Medicaid benefits. The appropriation for health care services for low-income children was directed to be allocated only to programs with an established statewide network of medical providers who have agreed to accept reimbursement at a rate lower than would normally be charged for their services. Previously, HB2 language also specified that the appropriation could not be used to pay the state share of CHIP costs. The 2001 legislature did not continue such language in HB 2 for the 2003 biennium.

A new federal grant for cardiovascular disease adds about \$32,000 in federal funds annually and a small amount is spent on benefits from the tuberculosis grant. Children's health services identifies children from birth to age 18 with special health needs and provides for medical evaluation, treatment, and management of certain specified handicapping conditions. Expenditures are funded from federal grant funds.

Transfer of Tobacco Control and Prevention Program

The legislature approved the executive request to reduce tobacco control and prevention programs by \$6 million general fund over the biennium and accepted the increase in federal tobacco control and prevention grants funds of \$0.3 million. The 1999 legislature had appropriated \$7 million in tobacco settlement funds deposited to the general fund for the program. After the 2001 legislative action, the tobacco control and prevention program appropriation was \$3 million over the biennium. The legislature transferred the remaining appropriation authority and FTE to the Director's Office and added language to HB 2 requesting that the Interagency Coordinating Council on Prevention, which is administratively attached to the Director's Office, administer the program.

Table 25 shows the base level funding, 2003 biennium appropriation adjustments, and FTE for the tobacco control and prevention program and the transfer to the Director's

Program/Appropriation Changes from Base Budget	Fiscal 2000 Adjusted Base	Legislative Appropriation Fiscal 2002	Fiscal 2003
<u>Base Budget Health Policy and Services Division</u>			
FTE	6.37	1.37	1.37
General Fund	\$3,509,161	\$0	\$0
Federal Funds	<u>821,020</u>	<u>0</u>	<u>0</u>
Total Funds	<u>\$4,330,181</u>	<u>\$0</u>	<u>\$0</u>
<u>Changes Enacted for 2003 Biennium</u>			
General Fund Reductions		(\$3,006,996)	(\$3,007,006)
Net Increase in Federal Grant		<u>159,106</u>	<u>159,573</u>
		<u>(\$2,847,890)</u>	<u>(\$2,847,433)</u>
<u>Net Transfer to Director's Office</u>			
FTE	0.00	5.00	5.00
General Fund	\$0	\$502,165	\$502,155
Federal Funds	<u>0</u>	<u>980,126</u>	<u>980,593</u>
Total Funds	<u>\$0</u>	<u>\$1,482,291</u>	<u>\$1,482,748</u>

Office. Each individual change to the tobacco control and prevention program is discussed in the Health Policy and Services Division.

The following two tables show all present law adjustments and new proposals approved by the legislature for this division. Each adjustment is discussed in more detail in the following sub-program narratives: Division Administration; Medicaid Services; Health Systems; Family and Community Health; Communicable Disease Prevention; and CHIP.

Present Law Adjustments											
-----Fiscal 2002-----					-----Fiscal 2003-----						
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services					214,149					255,743	
Vacancy Savings					(177,514)					(178,764)	
Inflation/Deflation					5,234					15,294	
Fixed Costs					73,013					80,198	
Total Statewide Present Law Adjustments					\$114,882						\$172,471
DP 15 - Indian Health Services Caseload Adjustment											
	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,050,000	1,050,000	
DP 16 - Tobacco Prevention Grant Increase											
	1.00	0	0	159,586	159,586	1.00	0	0	159,754	159,754	
DP 17 - Epidemiology and Lab Capacity Grant											
	0.00	0	0	74,438	74,438	0.00	0	0	74,438	74,438	
DP 18 - EMT Certification											
	0.00	0	36,350	0	36,350	0.00	0	36,350	0	36,350	
DP 19 - Local Board Inspection Fund											
	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000	
DP 20 - Montana Birth Outcomes Monitoring											
	0.00	0	0	60,455	60,455	0.00	0	0	0	0	
DP 21 - Fetal Infant Child Mortality Review											
	0.00	0	0	150,000	150,000	0.00	0	0	0	0	
DP 42 - Medicare Buy-In Caseload Adjustment											
	0.00	146,448	0	393,552	540,000	0.00	210,444	0	569,556	780,000	
DP 43 - Medicaid Caseload Adjustment											
	0.00	6,589,162	0	22,362,099	28,951,261	0.00	10,508,683	0	33,930,557	44,439,240	
DP 44 - CHIP Annualization											
	6.00	1,899,906	0	8,052,458	9,952,364	6.00	1,914,835	0	8,037,529	9,952,364	
DP 89 - Medicaid Drug Rebates/TPL Collections as Revenue											
	0.00	0	4,346,108	11,679,364	16,025,472	0.00	0	4,845,205	13,113,303	17,958,508	
DP 106 - WIC Infant Formula Rebates											
	0.00	0	0	3,300,000	3,300,000	0.00	0	0	3,300,000	3,300,000	
DP 401 - Federal Grant Increase - Diabetes											
	0.00	0	0	310,455	310,455	0.00	0	0	191,455	191,455	
DP 403 - 9-Mill Levy Income from State Assumed Counties											
	0.00	981,000	(981,000)	0	0	0.00	990,000	(990,000)	0	0	
DP 404 - Primary Care Federal Grant Increase											
	0.00	0	0	135,442	135,442	0.00	0	0	106,442	106,442	
DP 696 - Data Network Fixed Cost Reduction											
	0.00	(28)	0	(102)	(130)	0.00	(28)	0	(102)	(130)	
DP 698 - Rent Reduction - Use of Capitol Land Grant											
	0.00	(11,891)	(18,599)	(32,752)	(63,242)	0.00	(11,932)	(18,664)	(32,863)	(63,459)	
DP 699 - Vacancy Savings at 4 Percent											
	0.00	(19,067)	(11,375)	(51,596)	(82,038)	0.00	(19,173)	(11,434)	(51,844)	(82,451)	
Total Other Present Law Adjustments											
	7.00	\$9,585,530	\$3,421,484	\$47,593,399	\$60,600,413	7.00	\$13,592,829	\$3,911,457	\$60,448,225	\$77,952,511	
Grand Total All Present Law Adjustments					\$60,715,295						\$78,124,982

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 87 - Compliance Investigation										
07	0.00	0	0	21,031	21,031	0.00	0	0	22,733	22,733
DP 90 - Claims Adjudication Specialists										
07	2.00	(11,413)	0	(96,158)	(107,571)	2.00	(37,784)	0	(173,583)	(211,367)
DP 102 - Highway Traffic Safety Grant										
07	0.00	0	0	83,000	83,000	0.00	0	0	83,000	83,000
DP 103 - Fetal Alcohol Syndrome										
07	0.00	0	0	600,000	600,000	0.00	0	0	600,000	600,000
DP 104 - Health Educator - Women's Health										
07	1.00	0	0	54,551	54,551	1.00	0	0	50,719	50,719
DP 107 - MCH Data Analyst Position										
07	1.00	0	0	38,758	38,758	1.00	0	0	36,872	36,872
DP 108 - Bunker Hill Federal Grant										
07	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 109 - Upgrade/Replace WIC Eligibility and Benefit System										
07	0.00	0	0	500,000	500,000	0.00	0	0	1,530,000	1,530,000
DP 110 - Public Health Laboratory										
07	2.00	0	66,926	0	66,926	2.00	0	67,143	0	67,143
DP 111 - Bioterrorism Preparedness										
07	1.00	0	0	454,346	454,346	1.00	0	0	454,346	454,346
DP 124 - Ambulance Provider Rate Increase										
07	0.00	90,267	0	242,575	332,842	0.00	92,667	0	250,799	343,466
DP 125 - Dental Provider Rate Increase										
07	0.00	47,822	222,204	725,645	995,671	0.00	355,529	0	989,219	1,344,748
DP 126 - Provider Rate Increase - RBRVS/PASS										
07	0.00	252,524	0	678,614	931,138	0.00	506,681	0	1,371,305	1,877,986
DP 127 - Hospital Provider Rate Increase										
07	0.00	113,000	197,808	835,238	1,146,046	0.00	137,504	505,983	1,741,563	2,385,050
DP 200 - Certificate of Need Operations										
07	0.00	23,000	0	0	23,000	0.00	23,000	0	0	23,000
DP 400 - Farmer's Market Vouchers - WIC										
07	0.00	40,000	0	92,640	132,640	0.00	60,000	0	140,000	200,000
DP 405 - Assistance for Montanans Exposed to Asbestos										
07	0.00	18,500	0	0	18,500	0.00	18,500	0	0	18,500
DP 409 - AIDS Treatment/Prevention										
07	0.00	0	0	372,333	372,333	0.00	0	0	372,333	372,333
DP 410 - HIV/AIDS Treatment and Coverage										
07	0.00	84,010	0	0	84,010	0.00	0	0	0	0
DP 416 - Fiber Optic Rural TeleHealth (Biennial/OTO)										
07	0.00	200,000	0	0	200,000	0.00	0	0	0	0
DP 419 - Federal Medicaid Funds for School Services										
07	0.00	0	0	1,500,000	1,500,000	0.00	0	0	1,500,000	1,500,000
DP 421 - Transfer Tobacco Control and Prevention Programs										
07	(5.00)	(502,165)	0	(980,126)	(1,482,291)	(5.00)	(502,155)	0	(980,593)	(1,482,748)
DP 425 - HB 124 - Revise Local Government Funding										
07	0.00	6,717,000	(6,717,000)	0	0	0.00	6,862,000	(6,862,000)	0	0
DP 623 - Shift Funding to Child Support Enforcement - DPHHS										
07	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
DP 689 - FTE Reduction										
07	(3.00)	(14,959)	0	0	(14,959)	(3.00)	(15,081)	0	0	(15,081)
DP 700 - Federal Funds for Medicaid Outreach										
07	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 702 - Cardiovascular Health Program-CDC Grant										
07	1.50	0	0	260,902	260,902	1.50	0	0	237,768	237,768
DP 703 - Trauma System Implementation										
07	0.00	125,000	0	0	125,000	0.00	125,000	0	0	125,000
DP 881 - Reduce Tobacco Control Prevention Program										
07	0.00	(3,004,943)	0	0	(3,004,943)	0.00	(3,006,235)	0	0	(3,006,235)
DP 886 - CHIP Annualization Correction										
07	0.00	154,259	0	653,803	808,062	0.00	154,259	0	653,803	808,062
DP 887 - County Hospital Intergovernmental Transfer Program										
07	0.00	0	267,525	718,924	986,449	0.00	0	266,144	720,305	986,449
Total	0.50	\$4,324,902	(\$5,962,537)	\$7,956,076	\$6,318,441	0.50	\$4,766,885	(\$6,022,730)	\$10,800,589	\$9,544,744

New Proposals

New proposals are appropriations for new or expanded services above the cost of providing the level of service authorized

by the previous legislature. Changes in funding for services are usually considered new proposals as well. Each new proposal will be discussed in the following sub-program narratives that correspond to major division functions. Some new proposals, such as the FTE reduction, affect more than one sub-program.

DIVISION ADMINISTRATION

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	8.21	0.00	0.00	8.21	0.00	0.00	8.21	8.21
Personal Services	509,875	(17,631)	0	492,244	(13,842)	0	496,033	988,277
Operating Expenses	460,467	(58,444)	21,423	423,446	(57,227)	21,423	424,663	848,109
Equipment	15,792	0	0	15,792	0	0	15,792	31,584
Capital Outlay	0	0	0	0	0	0	0	0
Grants	0	0	171,577	171,577	0	171,577	171,577	343,154
Benefits & Claims	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$986,134	(\$76,075)	\$193,000	\$1,103,059	(\$71,069)	\$193,000	\$1,108,065	\$2,211,124
General Fund	231,337	(3,542)	(7,000)	220,795	(1,051)	(7,000)	223,286	444,081
State/Other Special	19,542	(17,770)	0	1,772	(17,666)	0	1,876	3,648
Federal Special	735,255	(54,763)	200,000	880,492	(52,352)	200,000	882,903	1,763,395
Total Funds	\$986,134	(\$76,075)	\$193,000	\$1,103,059	(\$71,069)	\$193,000	\$1,108,065	\$2,211,124

Division administration includes staff and resources that provide overall direction, leadership, fiscal, and policy services for all programs administered by the division. The cost of division administration is allocated among all division programs.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				2,880					6,826
Vacancy Savings				(14,510)					(14,629)
Inflation/Deflation				147					1,010
Fixed Costs				4,672					5,243
Total Statewide Present Law Adjustments				(\$6,811)					(\$1,550)
DP 696 - Data Network Fixed Cost Reduction									
0.00	(8)	0	(13)	(21)	0.00	(8)	0	(13)	(21)
DP 698 - Rent Reduction - Use of Capitol Land Grant									
0.00	(11,891)	(18,599)	(32,752)	(63,242)	0.00	(11,932)	(18,664)	(32,863)	(63,459)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(2,007)	(170)	(3,824)	(6,001)	0.00	(2,020)	(171)	(3,848)	(6,039)
Total Other Present Law Adjustments									
0.00	(\$13,906)	(\$18,769)	(\$36,589)	(\$69,264)	0.00	(\$13,960)	(\$18,835)	(\$36,724)	(\$69,519)
Grand Total All Present Law Adjustments				(\$76,075)					(\$71,069)

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Sub Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 108 - Bunker Hill Federal Grant										
01	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 623 - Shift Funding to Child Support Enforcement - DPHHS										
01	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
Total	0.00	(\$7,000)	\$0	\$200,000	\$193,000	0.00	(\$7,000)	\$0	\$200,000	\$193,000

New Proposals

DP 108 - Bunker Hill Federal Grant - The legislature appropriated \$400,000 federal funds from a grant to conduct medical screening of Montana residents exposed to high levels of lead at the Bunker Hill Smelter in Kellogg, Idaho. In 1973 the Bunker Hill Lead smelter burned, releasing high levels of lead into the surrounding environment. It is estimated that as many as 10 percent of the 8,500 residents of the Silver Valley between 1973 to 1981 have moved to Montana.

DPHHS plans to establish a Montana office with a toll-free line and fund media messages to identify and locate individuals currently residing in Montana that are part of the at-risk Silver Valley population. Eligible persons will be provided a free preliminary screen for hypertension and renal disease, two potential diseases related to lead exposure. If a medical problem is identified, eligible persons will be offered additional free medical screening by a health care provider of their choice. This screening, when necessary, will include a diagnostic evaluation by a sub-specialist. The program cannot pay for medical therapy that may be required.

DP 623 - Shift Funding to Child Support Enforcement - The legislature approved a plan submitted by the department that shifts \$250,000 general fund from various divisions to the Child Support Enforcement Division. This shift of \$14,000 from the Health Policy Services Division is one of several throughout the department that partially reinstates a reduction in FTE in the Child Support Enforcement Division that was approved by the legislature.

MEDICAID SERVICES

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	25.12	0.00	2.00	27.12	0.00	2.00	27.12	27.12
Personal Services	1,096,844	(6,113)	61,429	1,152,160	(324)	61,633	1,158,153	2,310,313
Operating Expenses	3,239,498	7,022	1,011,000	4,257,520	8,606	1,007,000	4,255,104	8,512,624
Equipment	158,260	0	0	158,260	0	0	158,260	316,520
Grants	137,948	0	0	137,948	0	0	137,948	275,896
Benefits & Claims	197,690,616	46,516,733	5,712,146	249,919,495	64,227,748	8,157,699	270,076,063	519,995,558
Total Costs	\$202,323,166	\$46,517,642	\$6,784,575	\$255,625,383	\$64,236,030	\$9,226,332	\$275,785,528	\$531,410,911
General Fund	41,773,578	9,306,498	7,209,200	58,289,276	13,136,069	7,916,597	62,826,244	121,115,520
State/Other Special	9,409,558	1,722,524	(6,029,463)	5,102,619	2,366,621	(6,089,873)	5,686,306	10,788,925
Federal Special	151,140,030	35,488,620	5,604,838	192,233,488	48,733,340	7,399,608	207,272,978	399,506,466
Total Funds	\$202,323,166	\$46,517,642	\$6,784,575	\$255,625,383	\$64,236,030	\$9,226,332	\$275,785,528	\$531,410,911

The Medicaid Services Bureau administers a wide range of medical programs. (The changes for CHIP services are included in a separate sub-program.) The bureau operates 30 different Medicaid medical programs with more than 6,000 providers. Passport, a primary care case management program (gatekeeper model) that began in 1993 and includes approximately 70 percent of all Medicaid recipients is the managed care program for Medicaid. The Medicaid HMO program was discontinued in July 2000 and recipients who were previously served under this program are now served by Passport.

The Bureau manages other Medicaid services including: physicians; mid-level practitioners; podiatrists; laboratory; imaging; family planning; public health clinics; pharmacy; home infusion therapy; durable medical equipment; transportation; ambulance; audiology; hearing aids; vision services; eyeglasses; chiropractors; nutritionists; dentists; private duty nurses; school-based services; Qualified Medicare Beneficiary (QMB); presumptive eligibility for pregnant women; and respiratory, physical, occupational, and speech therapy.

With the exception of the Indian Health Services program, the state must provide a match for Medicaid services. Administrative costs are funded 50 percent state match with some functions enhanced an additional 10 to 25 percent. The state match for services costs declined from 27.85 percent in fiscal 2000 to 27.12 percent in fiscal 2002 and 26.98 percent in fiscal 2003.

The Medicaid services budget increased largely due to caseload growth and inflation in the costs of services such as pharmacy (\$66.3 million over the biennium), compliance with a legislative audit finding to include the cost and revenue of drug rebates from manufacturers (\$34 million), provider rate increases (\$9 million), and miscellaneous increases for Medicaid outreach, federal Medicaid matching funds for services provided by schools, and an intergovernmental transfer program for county hospitals (\$7 million).

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				39,557					45,587
Vacancy Savings				(31,424)					(31,605)
Inflation/Deflation				(2,166)					(1,505)
Fixed Costs				9,250					10,173
Total Statewide Present Law Adjustments				\$15,217					\$22,650
DP 15 - Indian Health Services Caseload Adjustment	0.00	0	0	1,000,000	0.00	0	0	1,050,000	1,050,000
DP 42 - Medicare Buy-In Caseload Adjustment	0.00	146,448	0	393,552	0.00	210,444	0	569,556	780,000
DP 43 - Medicaid Caseload Adjustment	0.00	6,589,162	0	22,362,099	0.00	10,508,683	0	33,930,557	44,439,240
DP 89 - Medicaid Drug Rebates/TPL Collections as Revenue	0.00	0	4,346,108	11,679,364	0.00	0	4,845,205	13,113,303	17,958,508
DP 403 - 9-Mill Levy Income from State Assumed Counties	0.00	981,000	(981,000)	0	0.00	990,000	(990,000)	0	0
DP 696 - Data Network Fixed Cost Reduction	0.00	(20)	0	(42)	0.00	(20)	0	(42)	(62)
DP 699 - Vacancy Savings at 4 Percent	0.00	(7,123)	0	(7,123)	0.00	(7,153)	0	(7,153)	(14,306)
Total Other Present Law Adjustments	0.00	\$7,709,467	\$3,365,108	\$35,427,850	0.00	\$11,701,954	\$3,855,205	\$48,656,221	\$64,213,380
Grand Total All Present Law Adjustments				\$46,517,642					\$64,236,030

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 15 - Indian Health Services Caseload Adjustment - The legislature approved the addition of \$2 million in federal funds over the biennium for the Indian Health Services program, which pays the Medicaid costs for Medicaid-eligible Native Americans served at Indian Health Services facilities. The increase is based on an estimated 5 percent caseload increase relating to the number of eligible persons and service utilization. Indian Health Services is funded entirely with federal funds.

DP 42 - Medicare Buy-In Caseload Adjustment - The legislature added \$1.3 million total funds, including \$0.4 million general fund, for the Medicare Buy-In program. The program allows state Medicaid programs to purchase Medicare coverage through premium payments for Medicaid recipients who are dually eligible for Medicare and Medicaid. Subsequently, Medicare covers the cost of most services for an individual with no further Medicaid liability. Medicaid is liable only for the costs of non-Medicare covered services and for co-insurance and deductibles related to services utilized. This request reflects increases in caseload and premiums for Medicare Part A and Part B. Premium increases are based on projections by the Health Care Financing Administration: monthly premiums for Part B will increase from the 1999 level of \$44.67 to \$47.46 per month in 2002 and \$48.25 per month in 2003. Premiums for Medicare part A will be static over the next several years. Caseload increases assume a 2 percent increase in the number of persons eligible for part B, consistent with actual increases over the last several years.

DP 43 - Medicaid Caseload Adjustment - The legislature added \$73 million total funds, including \$17 million general fund, for the estimated Medicaid caseload increase for primary care and hospital programs including the number of persons eligible, utilization, and patient acuity levels. The amount appropriated by the legislature increased \$23 million total funds, including \$7.0 million general fund, over the amounts in Governor Martz's budget due to rising cost

projections. The most significant factor is a recent increase in the number of disabled persons eligible for services due to recent court rulings regarding administration of federal supplemental security income (SSI) eligibility.

DP 89 - Medicaid Drug Rebates/TPL Collections as Revenue - The legislature added \$34 million over the biennium to comply with a legislative audit finding. The finding in the DPHHS 1999 audit determined that use of the accounting technique of abating drug rebate receipts against pharmacy expenditures did not correctly record expenditures and revenues and that use of abatements does not comply with generally accepted accounting principles. The audit recommendation requires the department to account for rebates as revenue and not use rebates to offset expenditures starting in fiscal 2002. This accounting change requires that the costs, which were formerly reduced by drug rebate revenue, will be included in the budget.

DP 403 - 9-Mill Levy Income from State Assumed Counties - The legislature added \$1.9 million general fund over the biennium to offset reductions in the 9-mill levy income. The Executive Budget included a lower amount than adopted in the legislative revenue estimates. After passage and approval of HB 124 the legislature appropriated general fund to replace the 9-mill levy revenue from state assumed counties (see new proposal 425). HB 124 transferred administration of public welfare and child welfare programs from counties to the state and revised funding mechanisms, which included elimination of the 9-mill levy for the 13 counties that were state assumed prior to passage of HB 124.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Sub Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 90 - Claims Adjudication Specialists										
02	2.00	(11,413)	0	(96,158)	(107,571)	2.00	(37,784)	0	(173,583)	(211,367)
DP 124 - Ambulance Provider Rate Increase										
02	0.00	90,267	0	242,575	332,842	0.00	92,667	0	250,799	343,466
DP 125 - Dental Provider Rate Increase										
02	0.00	47,822	222,204	725,645	995,671	0.00	355,529	0	989,219	1,344,748
DP 126 - Provider Rate Increase - RBRVS/PASS										
02	0.00	252,524	0	678,614	931,138	0.00	506,681	0	1,371,305	1,877,986
DP 127 - Hospital Provider Rate Increase										
02	0.00	113,000	197,808	835,238	1,146,046	0.00	137,504	505,983	1,741,563	2,385,050
DP 419 - Federal Medicaid Funds for School Services										
02	0.00	0	0	1,500,000	1,500,000	0.00	0	0	1,500,000	1,500,000
DP 425 - HB 124 - Revise Local Government Funding										
02	0.00	6,717,000	(6,717,000)	0	0	0.00	6,862,000	(6,862,000)	0	0
DP 700 - Federal Funds for Medicaid Outreach										
02	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 887 - County Hospital Intergovernmental Transfer Program										
02	0.00	0	267,525	718,924	986,449	0.00	0	266,144	720,305	986,449
Total	2.00	\$7,209,200	(\$6,029,463)	\$5,604,838	\$6,784,575	2.00	\$7,916,597	(\$6,089,873)	\$7,399,608	\$9,226,332

New Proposals

DP 90 - Claims Adjudication Specialists - The legislature added funds for 2.0 FTE and \$140,000 in operating costs over the biennium to perform claims adjudication procedures. Anticipated savings in Medicaid services costs provide a net reduction of \$319,000 total funds and \$49,000 general fund over the biennium.

The new positions would perform complex claims adjudication procedures that are currently done by program managers. This change is anticipated to provide program managers with additional time to work on other cost containment measures.

such as developing programs that would reduce outpatient hospital procedures that are performed out of state. It is anticipated that a 25 percent reduction in out-of-state outpatient hospital procedures would result within the first full year after implementation.

The legislature added language to HB 2 requiring the program to report on the number of out-of-state procedures reviewed, the number of out-of-state procedures diverted to in-state facilities, and the resulting savings.

DP 124 - Ambulance Provider Rate Increase - The legislature accepted the executive request for \$676,000 total funds, including \$183,000 general fund, to raise ambulance rates to a level sufficient to pay about 70 percent of charges. The funding would also allow DPHHS to change the Medicaid reimbursement methodology to follow that used by Medicare.

Prior to the rate increase, the Medicaid reimbursement for ambulance services in aggregate is about 37 percent of usual and customary charges. By comparison, Medicare reimbursement for similar services is approximately 69 percent of charges for basic life support and 75 percent of charges for advanced life support. The adoption of Medicare reimbursement methodology will standardize Medicare and Medicaid coverage policies.

DP 125 - Dental Provider Rate Increase - The legislature approved \$2.3 million total funds and \$0.6 million general fund over the biennium to raise Medicaid dental/denturist aggregate reimbursement to 71 percent of the usual and customary charges. The current rate of reimbursement for dental/denturist services is 65 percent of usual and customary charges. The request would increase the fiscal 2002 dental program cost by nearly 20 percent. As part of this request, DPHHS will also work with dentists to rebase the current Medicaid fee schedule to provide reasonable and adequate reimbursement for dental/denturist services to ensure access to care.

DP 126 - Provider Rate Increase - RBRVS/PASS - The legislature appropriated \$2.8 million total funds including \$0.8 million general fund for a 2.4 percent reimbursement increase for physicians; nurse practitioners; physician assistants; podiatrists; chiropractors; physical, occupational, and speech therapists; and audiologists paid under the Resource Based Relative Value System (RBRVS) for each year of the biennium. Mental health providers are not included in this request.

Currently, Medicaid rates in aggregate are at 93 percent of Medicare rates, which corresponds to 55 percent of provider charges. The rate increase will raise Medicaid rates to about 90 percent of Medicare rates in fiscal 2002.

The legislature added language to HB 2 requiring the appropriation to be used to raise rates paid to providers receiving the lowest reimbursements and to freeze rates paid to providers receiving higher rates of reimbursement.

DP 127 - Hospital Provider Rate Increase - The legislature appropriated \$3.5 million total funds including \$0.2 million general fund and \$0.8 million from tobacco settlement trust fund interest over the biennium for a 1.8 percent annual provider rate increase for hospital providers participating in Medicaid hospital program. The rate increase is below the rate of inflation for health care providers established by the Health Care Price Index as of December 2000.

DP 419 - Federal Medicaid Funds for School Services - The legislature appropriated \$1.5 million in federal Medicaid funds for to help pay for Medicaid eligible services provided to Medicaid eligible children by schools. Schools would provide the state match for the federal Medicaid funds.

The legislature also added language directing that additional federal funds could not be spent if it would increase the general fund expenditures beyond the level appropriated to the Health Policy and Services Division during the 2003 biennium.

DP 425 - HB 124 - Revise Local Government Funding - The legislature passed HB 124, which revised local government funding. One of the changes included in HB 124 replaced county funding of public welfare and child welfare functions with general fund and transferred administration of these programs to the state. The legislature appropriated \$15.6 million of general fund in place of the 9-mill levy state special revenue that state-assumed counties had been required to remit to the state prior to the passage of HB 124.

DP 700 - Federal Funds for Medicaid Outreach - The legislature approved \$2 million federal funds over the biennium to improve Medicaid enrollment and eligibility determination processes. The enhanced funding is available to assist with the additional expenses attributable to the provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

States must provide a 10 to 25 percent match depending on the type of activity performed. The state match will be funded within existing appropriations.

DP 887 - County Hospital Intergovernmental Transfer Program - The legislature approved \$1.9 million total funds over the biennium to implement an intergovernmental transfer program for county funded hospitals. In order to be eligible to participate, county-funded hospitals must be a critical access hospital and be reimbursed on a prospective payment basis.

Under the intergovernmental transfer program, counties can forward county revenue to DPHHS to match with federal Medicaid funds to raise rates paid for Medicaid services. The allowable federal upper payment limit for hospitals participating in this type of program is 150 percent of the amount paid under Medicare cost principles.

Language

Items [Health Policy and Services Division, Senior and Long-Term Care Division, and Addictive and Mental Disorders Division] include appropriations of state special revenue for provider rate increases funded from the interest income on the tobacco settlement trust fund provided for in Article XII, section 4, of the Montana constitution. If the interest income on the tobacco settlement trust fund provided for in Article XII, section 4, of the Montana constitution is insufficient to fully fund the state special revenue appropriations in items [Health Policy and Services Division, Senior and Long-Term Care Division, and Addictive and Mental Disorders Division], the legislature intends that the department find alternative funding sources to fully fund the provider rate increases. Alternative sources may include but are not limited to enhanced Medicaid intergovernmental transfer programs and transfers of general fund money from other appropriations.

The Health Policy and Services Division is authorized to pursue up to \$1.5 million in federal special revenue each year of the biennium in item [Health Policy and Services Division] to enhance or improve division services or programs to public schools. This additional federal special revenue may be expended on services by the division as long as those actions do not require or commit the state to additional general fund expenditures beyond the amount appropriated by the legislature to the division.

HEALTH SYSTEMS BUREAU

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	33.87	1.00	(4.50)	30.37	1.00	(4.50)	30.37	30.37
Personal Services	1,242,438	162,887	(137,538)	1,267,787	173,303	(138,014)	1,277,727	2,545,514
Operating Expenses	6,157,736	601,590	(3,895,414)	2,863,912	458,146	(3,920,986)	2,694,896	5,558,808
Equipment	20,997	0	(8,948)	12,049	0	(8,948)	12,049	24,098
Grants	53,485	0	218,500	271,985	0	18,500	71,985	343,970
Benefits & Claims	567	0	31,609	32,176	0	32,652	33,219	65,395
Total Costs	\$7,475,223	\$764,477	(\$3,791,791)	\$4,447,909	\$631,449	(\$4,016,796)	\$4,089,876	\$8,537,785
General Fund	4,002,134	35,990	(3,155,567)	882,557	41,443	(3,356,971)	686,606	1,569,163
State/Other Special	21,784	36,244	0	58,028	36,244	0	58,028	116,056
Federal Special	3,451,305	692,243	(636,224)	3,507,324	553,762	(659,825)	3,345,242	6,852,566
Total Funds	\$7,475,223	\$764,477	(\$3,791,791)	\$4,447,909	\$631,449	(\$4,016,796)	\$4,089,876	\$8,537,785

The Health Systems Bureau is responsible for establishing state public health policy and implementing state programs that promote the health of all Montanans by controlling and preventing chronic diseases and injuries. The bureau:

- Emphasizes development and maintenance of statewide systems to improve delivery of public health programs, chronic disease prevention, health promotion, injury prevention, primary care, and emergency medical services
- Manages statewide programs in breast and cervical cancer screening, diabetes control, cardiovascular disease prevention, and tobacco use prevention
- Exercises responsibility for statewide emergency medical services and trauma system
- Licenses ambulances, trains emergency medical technicians/first responders, monitors trauma with Montana hospitals, and operates the poison control center
- Administers health planning functions including the Certificate of Need Program, Montana Health Agenda, and the establishment of data sources to assist in health planning and prioritization
- Administers the federal Preventive Health Block Grant, which provides funding for state public health programs.

The bureau is funded from general fund, federal funds, and state special revenue. General fund supports tobacco control, emergency medical services, health planning, trauma system implementation, and certificate of need. State special revenue supports trauma system implementation and emergency medical technician certification and licensing. Federal grant funds support the balance of program costs.

The 2003 biennium budget request is lower than base budget expenditures due to elimination of \$6 million general fund for tobacco control and prevention activities and transfer of the remaining \$3 million in federal and general fund and 5.0 FTE to the Directors Office. Federal grant increases for cardiovascular health, diabetes control and primary care add \$1.3 million over the biennium and fund 2.5 FTE. A new proposal to implement the state trauma system adds \$250,000 general fund over the biennium.

Present Law Adjustments										
Fiscal 2002						Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services				172,872						183,546
Vacancy Savings				(38,881)						(39,199)
Inflation/Deflation				3,267						6,713
Fixed Costs				3,541						4,651
Total Statewide Present Law Adjustments				\$140,799						\$155,711
DP 16 - Tobacco Prevention Grant Increase	1.00	0	0	159,586	159,586	1.00	0	0	159,754	159,754
DP 18 - EMT Certification	0.00	0	36,350	0	36,350	0.00	0	36,350	0	36,350
DP 401 - Federal Grant Increase - Diabetes	0.00	0	0	310,455	310,455	0.00	0	0	191,455	191,455
DP 404 - Primary Care Federal Grant Increase	0.00	0	0	135,442	135,442	0.00	0	0	106,442	106,442
DP 699 - Vacancy Savings at 4 Percent	0.00	(4,342)	(106)	(13,707)	(18,155)	0.00	(4,368)	(106)	(13,789)	(18,263)
Total Other Present Law Adjustments						1.00	(\$4,342)	\$36,244	\$591,776	\$623,678
						1.00	(\$4,368)	\$36,244	\$443,862	\$475,738
Grand Total All Present Law Adjustments				\$764,477						\$631,449

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 16 - Tobacco Prevention Grant Increase - The legislature funded 1.0 FTE and \$319,340 in federal authority over the biennium to support community-based programs and to create and implement monitoring and evaluation systems for tobacco use prevention. The FTE has already been hired and was authorized by operating plan budget changes approved by the Office of Budget and Program Planning.

DP 18 - EMT Certification - The legislature appropriated \$72,700 state special revenue from fees for emergency medical technician certification and licensure. Fees are paid by persons who participate in the certification and licensure activity. The division expects a slight increase in fees and in the number of persons certified and licensed. Fee changes are due to price increases for the examination and certification process purchased from the National Registry of Emergency Medical Technicians and increases in state expenses. Base budget expenditures for this function were about \$22,000 state special revenue.

DP 401 - Federal Grant Increase - Diabetes - The legislature appropriated \$501,910 federal funds over the biennium for an increase in the federal diabetes grant to educate persons about the disease and control the increase in incidence of the disease.

DP 404 - Primary Care Federal Grant Increase - The legislature added \$241,888 federal funds over the biennium for an increase in the primary care federal grant from the Centers for Disease Control.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Sub Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 102 - Highway Traffic Safety Grant										
03	0.00	0	0	83,000	83,000	0.00	0	0	83,000	83,000
DP 200 - Certificate of Need Operations										
03	0.00	23,000	0	0	23,000	0.00	23,000	0	0	23,000
DP 405 - Assistance for Montanans Exposed to Asbestos										
03	0.00	18,500	0	0	18,500	0.00	18,500	0	0	18,500
DP 416 - Fiber Optic Rural TeleHealth (Biennial/OTO)										
03	0.00	200,000	0	0	200,000	0.00	0	0	0	0
DP 421 - Transfer Tobacco Control and Prevention Programs										
03	(5.00)	(502,165)	0	(980,126)	(1,482,291)	(5.00)	(502,155)	0	(980,593)	(1,482,748)
DP 689 - FTE Reduction										
03	(1.00)	(14,959)	0	0	(14,959)	(1.00)	(15,081)	0	0	(15,081)
DP 702 - Cardiovascular Health Program-CDC Grant										
03	1.50	0	0	260,902	260,902	1.50	0	0	237,768	237,768
DP 703 - Trauma System Implementation										
03	0.00	125,000	0	0	125,000	0.00	125,000	0	0	125,000
DP 881 - Reduce Tobacco Control Prevention Program Expendit										
03	0.00	(3,004,943)	0	0	(3,004,943)	0.00	(3,006,235)	0	0	(3,006,235)
Total	(4.50)	(\$3,155,567)	\$0	(\$636,224)	(\$3,791,791)	(4.50)	(\$3,356,971)	\$0	(\$659,825)	(\$4,016,796)

New Proposals

DP 102 - Highway Traffic Safety Grant - The legislature approved \$166,000 federal funds to improve emergency medical services data collection and analysis and to enhance injury prevention. The funds will be used to continue the prehospital data collection system, to link the trauma register and EMS data base with other health care databases, and to provide funding for EMS agencies and non-profit organizations to promote injury prevention activities including seat belt use, child safety seat use, and bike helmet use.

DP 200 - Certificate of Need Operations - The legislature added \$46,000 general fund for the Certificate of Need program (authorized in Title 50, Section 5, Parts 1 and 3, MCA). Funds were not appropriated for this function by the 1999 legislature. The legislature continued funding for the program to avoid construction of additional Medicaid eligible facilities and services that were estimated to cost more general fund than cost of the Certificate of Need program.

DP 405 - Assistance for Montanans Exposed to Asbestos - The legislature added \$37,000 general fund over the biennium for contracted services to assist persons in Libby who have been exposed to asbestos. The appropriation is restricted and authorized for the 2003 biennium only.

DP 416 - Fiber Optic Rural TeleHealth (Biennial/OTO) - The legislature appropriated \$200,000 general fund over the biennium for grants to rural hospitals to purchase equipment that can be used to transmit information via a fiber optic cable. The information would be transmitted from rural hospitals to medical specialists for diagnostic assistance.

DP 421 - Transfer Tobacco Control and Prevention Programs - The legislature transferred 5.0 FTE and \$3 million total funds (\$1 million general fund) over the biennium from the Health Policy and Services Division to the Interagency Coordinating Council on Prevention in the Director's Office. The legislature added language to HB 2 indicating its intent that the Interagency Coordinating Council administer the program.

DP 689 - FTE Reduction - The legislature directed that 3.0 FTE could not be included in the base budget funding for the division 2005 biennium budget request since the FTE had been vacant 7 months or longer. The legislature reduced general fund by about \$30,000 over the biennium.

The Health Systems Bureau FTE were reduced by 1.0 and \$30,000 general fund was removed. The Family and Community Health Bureau and CHIP Bureau were each reduced by 1.0 FTE.

DP 702 - Cardiovascular Health Program-CDC Grant - The legislature approved \$500,555 of federal funds for a cardiovascular health program and funded 1.5 FTE. Grant funds will end September 2003 and will support a total of 3.5 FTE, because 2.0 of the FTE are already funded in the DPHHS base budget using other sources of funds.

The legislature added language that the FTE may not be included in the 2003 biennium adjusted base budget unless they are funded by federal or private funds.

DP 703 - Trauma System Implementation - The legislature added \$150,000 general fund over the biennium to continue funding for the position of the state trauma nurse coordinator who manages the state trauma care system. The Executive Budget included state special revenue from an increase on vehicle licenses. However, the legislature tabled the bill that would have instituted the fee. The legislature reallocated general fund in the Disability Services Division to cover the cost of the trauma system implementation.

The duties of the position that is funded include: 1) providing technical assistance to Montana hospitals and critical access hospitals; 2) arranging and providing training programs for emergency medical personnel, physicians, nurses and other medical personnel in the proper management of the acutely injured trauma patient; 3) providing technical assistance and training for the regional trauma advisory councils so they can improve their regional trauma care delivery system; 4) overseeing the trauma register, a system for collection information on seriously injured patients and using that data to improve the care of the patients; and 5) identifying deficiencies in the trauma care system and making plans for improvement.

DP 881 - Reduce Tobacco Control Prevention Program - The legislature accepted the executive request to reduce general fund tobacco control prevention programs by \$6 million general fund over the biennium. The remaining funding of \$1.5 million a year including federal grant funds and \$0.5 million general fund and 5.0 FTE were transferred to the Director's Office. The legislature added language to HB 2 directing that the Interagency Coordinating Council on Prevention administer the tobacco prevention and control program.

Language

Item [Cardiovascular Grant] includes funds for 3.5 FTE. Funds for the FTE may not be included in the adjusted base budget for the 2005 biennium unless federal funds or private revenue is available to fund the position.

Item [Montanans Exposed to Asbestos] must be spent on services to assist Montanans who have been exposed to asbestos. Funds in item [Montanans Exposed to Asbestos] may not be expended for any other purpose.

Funds in item [Fiber Optic Rural TeleHealth Equipment] may be used only to purchase equipment to transmit or to facilitate the transmission of medical images and x-rays from rural hospitals to medical specialists. The funds may be granted only to rural hospitals or groups of rural hospitals to purchase the equipment.

FAMILY AND COMMUNITY HEALTH BUREAU

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	30.00	0.00	1.00	31.00	0.00	1.00	31.00	31.00
Personal Services	1,290,657	(18,721)	80,309	1,352,245	(11,055)	80,591	1,360,193	2,712,438
Operating Expenses	2,494,180	207,463	1,135,600	3,837,243	14,490	2,171,000	4,679,670	8,516,913
Equipment	0	0	0	0	0	0	0	0
Grants	5,872,785	0	0	5,872,785	0	0	5,872,785	11,745,570
Benefits & Claims	8,606,319	3,314,510	110,040	12,030,869	3,300,000	166,000	12,072,319	24,103,188
Total Costs	\$18,263,941	\$3,503,252	\$1,325,949	\$23,093,142	\$3,303,435	\$2,417,591	\$23,984,967	\$47,078,109
General Fund	1,287,751	6,692	40,000	1,334,443	7,437	60,000	1,355,188	2,689,631
State/Other Special	0	0	0	0	0	0	0	0
Federal Special	16,976,190	3,496,560	1,285,949	21,758,699	3,295,998	2,357,591	22,629,779	44,388,478
Total Funds	\$18,263,941	\$3,503,252	\$1,325,949	\$23,093,142	\$3,303,435	\$2,417,591	\$23,984,967	\$47,078,109

The Family and Community Health Bureau administers public health programs for women, children, and families including: the Women, Infants, and Children (WIC) program; Family Planning; the Montana Initiative for the Abatement of Mortality in Infants (MIAMI); prenatal programs; Children's Special Health Services; and county grants from the Maternal and Child Health Block Grant. The bureau also coordinates fetal, infant, and child mortality reviews, and Sudden Infant Death Syndrome (SIDS) prevention.

Program funding is primarily from federal grant funds for WIC, the Maternal Child Health Block Grant, and family planning grant funds. General fund supports a genetics contract (about \$600,000 annually), the MIAMI program (about \$460,000 annually); health care services for low-income children (about \$100,000 annually); matching funds for WIC vouchers to be used at farmers' markets (\$100,000); some family planning functions (about \$25,000 annually); and bureau administration costs (about \$70,000 annually). The budget approved for the bureau increases about \$10.6 million over the biennium primarily due to the addition of: 1) \$6.6 million in federal funds to comply with a legislative audit finding; 2) \$2 million federal funds to upgrade the WIC computer system; and 3) \$1.6 million in new or increased federal grants.

Present Law Adjustments									
Fiscal 2002					Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				34,497					42,483
Vacancy Savings				(36,409)					(36,650)
Inflation/Deflation				22					1,634
Fixed Costs				11,543					12,903
Total Statewide Present Law Adjustments				\$9,653					\$20,370
DP 20 - Montana Birth Outcomes Monitoring	0.00	0	0	60,455	0.00	0	0	0	0
DP 21 - Fetal Infant Child Mortality Review	0.00	0	0	150,000	0.00	0	0	0	0
DP 106 - WIC Infant Formula Rebates	0.00	0	0	3,300,000	0.00	0	0	3,300,000	3,300,000
DP 696 - Data Network Fixed Cost Reduction	0.00	0	0	(47)	0.00	0	0	(47)	(47)
DP 699 - Vacancy Savings at 4 Percent	0.00	(2,268)	0	(14,541)	0.00	(2,283)	0	(14,605)	(16,888)
Total Other Present Law Adjustments									
	0.00	(\$2,268)	\$0	\$3,495,867	0.00	(\$2,283)	\$0	\$3,285,348	\$3,283,065
Grand Total All Present Law Adjustments				\$3,503,252					\$3,303,435

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 20 - Montana Birth Outcomes Monitoring - The legislature approved \$60,455 federal authority in fiscal 2002 to: identify adverse pregnancy outcomes related to human or environmental factors; track incidence of these outcomes; establish services for children with special health care needs; and support prevention of adverse outcomes through education.

DP 21 - Fetal Infant Child Mortality Review - The legislature approved \$300,000 federal authority over the biennium to fund contractual support to communities conducting reviews of deaths, and a state team to advise the department on causes and interventions related to preventable deaths. The fetal, infant, and child mortality review process is authorized in state statute. The review process is intended to assist communities to develop interventions and prevent subsequent deaths of children. In 1998, there were 10 review teams functioning in the state, and they reviewed 98 out of 225 fetal, infant, and child deaths (44 percent). As of August 2000, there are 18 local teams and three tribal jurisdictions, with the capacity to review about 75 percent of all fetal, infant, and child deaths in Montana. The goal is to have capacity to review 100 percent of the deaths by 2001.

DP 106 - WIC Infant Formula Rebates - The legislature approved \$6.6 million in federal funds to comply with a legislative audit finding. The Office of the Legislative Auditor (OLA) recommended in the fiscal 1999 DPHHS audit to change the accounting method for WIC infant formula rebates. Under current practice, rebates are considered abatements of expenditures, reducing expenditures for infant formula in WIC. In the opinion of OLA, this practice does not comply with generally accepted accounting principles. The audit recommends DPHHS account for rebates as revenue and not as an abatement of expenditures.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals		Fiscal 2002				Fiscal 2003				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 103 - Fetal Alcohol Syndrome										
04	0.00	0	0	600,000	600,000	0.00	0	0	600,000	600,000
DP 104 - Health Educator - Women's Health										
04	1.00	0	0	54,551	54,551	1.00	0	0	50,719	50,719
DP 107 - MCH Data Analyst Position										
04	1.00	0	0	38,758	38,758	1.00	0	0	36,872	36,872
DP 109 - Upgrade/Replace WIC Eligibility and Benefits System										
04	0.00	0	0	500,000	500,000	0.00	0	0	1,530,000	1,530,000
DP 400 - Farmer's Market Vouchers - WIC										
04	0.00	40,000	0	92,640	132,640	0.00	60,000	0	140,000	200,000
DP 689 - FTE Reduction										
04	(1.00)	0	0	0	0	(1.00)	0	0	0	0
Total	1.00	\$40,000	\$0	\$1,285,949	\$1,325,949	1.00	\$60,000	\$0	\$2,357,591	\$2,417,591

New Proposals

DP 103 - Fetal Alcohol Syndrome - The legislature approved \$1.2 million in federal funds received as part of a four-state consortium to develop a plan to address the impacts of fetal alcohol syndrome and fetal alcohol effect (FAS/FAE). FAS is a pattern of birth defects and neurological damage cause by prenatal alcohol exposure and is recognized as the leading identifiable cause of mental retardation and neurologic dysfunction in the United States. The Centers for Disease Control reported a six-fold increase in the incidence of babies born with FAS between 1960 and 1995.

Plan development would include state agencies and academic institutions. A preliminary plan will include, but is not limited to: 1) education of professionals and the general public; 2) development of legislation regarding FAS/FAE; 3) development of a continuum of services for FAS/FAE-diagnosed clients; 4) screening that promotes early identification and supports early intervention; and 5) prevention of the incidence of FAS by targeted interventions with the pregnant and child bearing populations.

DP 104 - Health Educator - Women's Health - The legislature added \$105,270 federal funds for the biennium for 1.00 FTE health educator in the Women's Health Section. The FTE is currently funded as a modified position and was funded by the 1999 legislature. Funding for this position has been earmarked in the Title X federal grant since 1989. The health educator position continues to be a requirement of the Title X funding and some of the Title X grant is restricted to this use. This position is responsible for education services, community outreach and marketing, and evaluating education services in local family planning programs as well as training activities and efforts aimed toward the prevention of unintended pregnancy.

DP 107 - MCH Data Analyst Position - The legislature added \$75,630 federal funds for the biennium for 1.0 FTE. The FTE is currently funded as a modified position. This position will gather and analyze maternal child health data, particularly data required by the Maternal and Child Block Grant, to address the performance measures and health status indicators. Funding will be from existing federal resources.

DP 109 - Upgrade/Replace WIC Eligibility and Benefits System - The legislature appropriated \$2 million federal funding for the biennium to revise and update the existing Women, Infants, and Children (WIC) automated system used to track eligibility of and food vouchers issued to individual recipients. The current WIC system was implemented in Montana in May of 1994 and uses programs that are becoming obsolete. To address the obsolescence issue, DPHHS contracted to investigate alternative technology solutions. As a result of that investigation, DPHHS is proceeding with plans to update the system.

DP 400 – Farmers' Market Vouchers - WIC - The legislature added \$332,640, including \$100,000 general fund, over the biennium to allow an expansion in the WIC program. The expansion would provide vouchers for WIC participants to purchase produce at farmers' markets.

DP 689 - FTE Reduction - The legislature directed that 3.0 FTE could not be included in the base budget funding for the division 2005 biennium budget request since the FTE had been vacant 7 months or longer. The legislature reduced general fund by about \$30,000 over the biennium.

The Health Systems Bureau FTE were reduced by 1.0 and \$30,000 general fund was removed. The Family and Community Health Bureau and CHIP Bureau were each reduced by 1.0 FTE.

COMMUNICABLE DISEASE CONTROL AND PREVENTION BUREAU

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	44.78	0.00	3.00	47.78	0.00	3.00	47.78	47.78
Personal Services	1,843,527	(85,900)	111,392	1,869,019	(74,327)	111,782	1,880,982	3,750,001
Operating Expenses	3,103,424	103,905	431,254	3,638,583	109,745	432,783	3,645,952	7,284,535
Equipment	104,992	0	99,657	204,649	0	99,657	204,649	409,298
Grants	463,007	50,000	356,343	869,350	50,000	272,333	785,340	1,654,690
Benefits & Claims	6,496	0	0	6,496	0	0	6,496	12,992
Debt Service	2,576	0	0	2,576	0	0	2,576	5,152
Total Costs	\$5,524,022	\$68,005	\$998,646	\$6,590,673	\$85,418	\$916,555	\$6,525,995	\$13,116,668
General Fund	655,785	(29,147)	84,010	710,648	(26,410)	0	629,375	1,340,023
State/Other Special	1,974,280	(14,882)	66,926	2,026,324	(6,748)	67,143	2,034,675	4,060,999
Federal Special	2,893,957	112,034	847,710	3,853,701	118,576	849,412	3,861,945	7,715,646
Total Funds	\$5,524,022	\$68,005	\$998,646	\$6,590,673	\$85,418	\$916,555	\$6,525,995	\$13,116,668

The Communicable Disease Control and Prevention Bureau is responsible for several programs related to detection, control, and prevention of communicable diseases. This bureau administers:

- The STD/HIV Prevention Program, which provides surveillance and outbreak control of reportable infectious diseases, including AIDS and other sexually transmitted diseases
- The Sexual Assault Prevention Program
- The Immunization Program, which prevents the occurrence and transmission of vaccine-preventable diseases such as measles, mumps, hepatitis, and rubella
- The Epidemiology Program, which manages the division's efforts toward disease control through surveillance, outbreak response, and epidemiological efforts
- The Food and Consumer Safety Program, which is responsible for ensuring that healthful conditions exist and are maintained in food serving and processing establishments, hotels, motels, campgrounds, public pools, and trailer parks; and for providing training support services to local health agencies and sanitarians
- The state Public Health Laboratory

The communicable disease budget rises about \$2 million over the biennium primarily due to: general fund of \$84,010 for AIDS treatment; federal grants for 1.0 FTE and bioterrorism prevention (\$900,000), AIDS treatment and prevention (\$744,666), and lab and epidemiology capacity (\$148,000); and state special revenue appropriations for 2.0 FTE and public health laboratory costs (\$134,000) and local board inspection funding (\$100,000).

Present Law Adjustments									
Fiscal 2002					Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				(12,224)					(167)
Vacancy Savings				(50,170)					(50,534)
Inflation/Deflation				3,285					6,236
Fixed Costs				26,182					29,071
Total Statewide Present Law Adjustments				(\$32,927)					(\$15,394)
DP 17 - Epidemiology and Lab Capacity Grant									
0.00	0	0	74,438	74,438	0.00	0	0	74,438	74,438
DP 19 - Local Board Inspection Fund									
0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
DP 699 - Vacancy Savings at 4 Percent									
0.00	(2,693)	(11,099)	(9,714)	(23,506)	0.00	(2,709)	(11,157)	(9,760)	(23,626)
Total Other Present Law Adjustments									
0.00	(\$2,693)	\$38,901	\$64,724	\$100,932	0.00	(\$2,709)	\$38,843	\$64,678	\$100,812
Grand Total All Present Law Adjustments				\$68,005					\$85,418

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 17 - Epidemiology and Lab Capacity Grant - The legislature approved \$148,876 federal funds over the biennium to improve epidemiology and laboratory capacity. Federal funds will be used to enhance laboratory and surveillance capability to identify food borne illness and a small amount of the funds may be used to address problems with Hepatitis C in high-risk populations.

DP 19 - Local Board Inspection Fund - The legislature authorized \$100,000 state special revenue funds over the biennium due to increases in the number of licensed establishments in existence across the state. Additional authority was added due to an increase in numbers of establishments of 7 percent or 490 in the second year of the biennium. Licensed public establishments (including restaurants, trailer courts and campgrounds, motels and hotels, swimming pools and spas) pay DPHHS a fee for establishment licenses. Counties receive 85 percent of the license fee revenue based on performance of inspection, education, and enforcement services. DPHHS collects the establishment fee and remits the appropriate balance to the counties. This proposal would allow DPHHS to remit the anticipated level of fee income to counties during the 2003 biennium.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Sub Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 87 - Compliance Investigation										
05	0.00	0	0	21,031	21,031	0.00	0	0	22,733	22,733
DP 110 - Public Health Laboratory										
05	2.00	0	66,926	0	66,926	2.00	0	67,143	0	67,143
DP 111 - Bioterrorism Preparedness										
05	1.00	0	0	454,346	454,346	1.00	0	0	454,346	454,346
DP 409 - AIDS Treatment/Prevention										
05	0.00	0	0	372,333	372,333	0.00	0	0	372,333	372,333
DP 410 - HIV/AIDS Treatment and Coverage										
05	0.00	84,010	0	0	84,010	0.00	0	0	0	0
Total	3.00	\$84,010	\$66,926	\$847,710	\$998,646	3.00	\$0	\$67,143	\$849,412	\$916,555

New Proposals

DP 87 - Compliance Investigation - The legislature authorized \$40,000 federal funds due to additional funding through the Food and Drug Administration contract for various compliance activities.

DP 110 - Public Health Laboratory - The legislature funded 2.00 FTE in the public health laboratory and added \$134,069 state special revenue. The positions perform laboratory testing, data entry, and mailroom duties. The FTE are funded from fee income for laboratory testing.

DP 111 - Bioterrorism Preparedness - The legislature funded 1.0 FTE and added \$908,692 federal funds over the biennium for a grant to: enhance surveillance of disease, in order to assure early detection of bioterrorism events or other public health disasters; assure a minimum standard of technology and communication equipment at each local health department and DPHHS; and provide training to local and state public health staff to prepare for public health disasters, including possible bioterrorist attacks. The grant is anticipated to be renewed for five years.

DP 409 - AIDS Treatment/Prevention - The legislature appropriated \$0.7 million federal funds over the biennium for federal grant increases to fund treatment and prevention of AIDS. Treatment services include purchasing drugs, payment of health insurance premiums, and payment for other medical services such as dental care for over 140 low-income Montanans.

DP 410 - HIV/AIDS Treatment and Coverage - The legislature appropriated \$84,010 general fund for prevention of and treatment for persons with the HIV virus and AIDS. The appropriation is biennial and restricted. The general fund increase was offset by reductions in the Mental Health Services Plan (MHSP) cost projections.

CHIP

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	4.54	6.00	(1.00)	9.54	6.00	(1.00)	9.54	9.54
Personal Services	243,518	164,468	0	407,986	166,008	0	409,526	817,512
Operating Expenses	148,128	989,120	0	1,137,248	1,013,979	0	1,162,107	2,299,355
Equipment	36,836	24,000	0	60,836	0	0	36,836	97,672
Benefits & Claims	3,498,308	8,760,406	808,062	13,066,776	8,759,732	808,062	13,066,102	26,132,878
Total Costs	\$3,926,790	\$9,937,994	\$808,062	\$14,672,846	\$9,939,719	\$808,062	\$14,674,571	\$29,347,417
General Fund	668,563	1,978,224	154,259	2,801,046	1,999,353	154,259	2,822,175	5,623,221
State/Other Special	136,151	(136,151)	0	0	(136,151)	0	0	0
Federal Special	3,122,076	8,095,921	653,803	11,871,800	8,076,517	653,803	11,852,396	23,724,196
Total Funds	\$3,926,790	\$9,937,994	\$808,062	\$14,672,846	\$9,939,719	\$808,062	\$14,674,571	\$29,347,417

The Children's Health Insurance Program (CHIP) program includes staff and resources to administer an insurance program for children in families with incomes less than 150 percent of the federal poverty level (\$26,475 for a family of 4 in 2001). The state contracts with private insurance carriers to provide and pay for services. Families with incomes above 100 percent of the federal poverty level pay an annual co-payment of \$215.

CHIP is funded from a fixed federal grant. States have three years from the time it is received to spend the grant allotment. Federal funds require a state match based on a percentage of the match rate for Medicaid benefits. The Montana match requirement for federal CHIP funding is 19.09 percent in fiscal 2002, and 19.24 percent in fiscal 2003. Administrative costs are limited to 10 percent of the grant amount.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				(23,433)					(22,532)
Vacancy Savings				(6,120)					(6,147)
Inflation/Deflation				679					1,206
Fixed Costs				17,825					18,157
Total Statewide Present Law Adjustments				(\$11,049)					(\$9,316)
DP 44 - CHIP Annualization									
6.00	1,899,906	0	8,052,458	9,952,364	6.00	1,914,835	0	8,037,529	9,952,364
DP 699 - Vacancy Savings at 4 Percent									
0.00	(634)	0	(2,687)	(3,321)	0.00	(640)	0	(2,689)	(3,329)
Total Other Present Law Adjustments									
6.00	\$1,899,272	\$0	\$8,049,771	\$9,949,043	6.00	\$1,914,195	\$0	\$8,034,840	\$9,949,035
Grand Total All Present Law Adjustments				\$9,937,994					\$9,939,719

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 44 - CHIP Annualization - The legislature funded 6.0 FTE and added \$19.9 million total funds including \$3.8 million general fund to annualize the cost of CHIP. Enrollment in CHIP increased gradually reaching 9,251 in January 2001. Average annual enrollment in CHIP was substantially lower in the base budget, about 2,850 children, than ongoing enrollment, which is expected to be 9,251.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 689 - FTE Reduction										
06	(1.00)	0	0	0	0	(1.00)	0	0	0	0
DP 886 - CHIP Annualization Correction										
06	0.00	154,259	0	653,803	808,062	0.00	154,259	0	653,803	808,062
Total	(1.00)	\$154,259	\$0	\$653,803	\$808,062	(1.00)	\$154,259	\$0	\$653,803	\$808,062

New Proposals

DP 689 - FTE Reduction - The legislature directed that 3.0 FTE could not be included in the base budget funding for the division 2005 biennium budget request since the FTE had been vacant 7 months or longer. The legislature reduced general fund by about \$30,000 over the biennium.

The Health Systems Bureau FTE were reduced by 1.0 and \$30,000 general fund was removed. The Family and Community Health Bureau and CHIP Bureau were each reduced by 1.0 FTE.

DP 886 - CHIP Annualization Correction - This adjustment augments PL 44 CHIP annualization. These funds will allow the CHIP program to continue at its present service level of 9,251 children annually (pending no changes in the CHIP insurance premium). PL 44 is understated by \$1.6 million total funds, including \$0.3 million general fund.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	113.71	0.00	(4.00)	109.71	0.00	(4.00)	109.71	109.71
Personal Services	4,335,905	216,749	(1,834)	4,550,820	242,707	4,929	4,583,541	9,134,361
Operating Expenses	1,765,600	68,002	450,000	2,283,602	77,953	440,000	2,283,553	4,567,155
Equipment	37,773	0	0	37,773	0	0	37,773	75,546
Grants	0	0	370,000	370,000	0	370,000	370,000	740,000
Total Costs	\$6,139,278	\$284,751	\$818,166	\$7,242,195	\$320,660	\$814,929	\$7,274,867	\$14,517,062
General Fund	1,658,639	204,212	202,525	2,065,376	215,309	210,329	2,084,277	4,149,653
State/Other Special	386,883	17,098	(184,359)	219,622	18,499	(195,400)	209,982	429,604
Federal Special	4,093,756	63,441	800,000	4,957,197	86,852	800,000	4,980,608	9,937,805
Total Funds	\$6,139,278	\$284,751	\$818,166	\$7,242,195	\$320,660	\$814,929	\$7,274,867	\$14,517,062

Program Description

The Quality Assurance Division provides a comprehensive and coordinated quality assurance program and evaluates services provided by DPHHS to the citizens of Montana. Functions include the provision of:

- Fair hearings
- Facility management
- Contract and financial audits
- Ongoing reviews to monitor the appropriate use of Medicaid by recipients and providers
- Estate, cost avoidance and fraud recovery
- Quality control samples for compliance with federal and state eligibility rules
- Performance measures and benchmarking
- Certification of health care facilities and clinical laboratories
- Inspection and licensure of health care providers and other facilities or services licenses issued by the department

Program Reorganization

The community residential licensing function (licensing of group homes for foster care children and developmentally disabled persons) was moved to the Quality Assurance Division from the Child and Family Services Division in fiscal 2000. The reorganization involved the transfer of 7.0 FTE, 5.0 of whom are located in field offices, and \$315,742 (including \$217,321 general fund).

Another 0.7 FTE was transferred to the Quality Assurance Division from the Child and Family Services Division to support childcare licensure. That function was transferred during the 1999 biennium.

Program Narrative

The Quality Assurance Division 2003 biennium annual appropriation is about \$1.1 million higher than base budget expenditures. General fund increases about \$0.4 million annually. Major changes to the 2003 biennium appropriation are:

- Funding for the critical access hospital federal grant which added \$1.6 million federal funds
- HB 124 which added \$0.4 million general fund and reduced state special revenue county funds by nearly the same amount
- Increased contracted services for licensure which added \$0.1 million general fund as a one-time-only appropriation
- Other changes including increased vacancy savings, rent, and data network charge reductions and direction to remove 4.0 FTE from the base budget funding for next session which reduced appropriations by \$0.1 million total funds

One of the major policies considered by the legislature dealt with inspection of radiological equipment (see DP 172), since the level of funding requested by the executive and approved by the legislature to fulfill licensure activities would not provide timely inspections of all radiological equipment in the state.

DPHHS indicated that it would make the following management and administrative rule changes governing the radiologic program because the base level funding and the present law adjustment were less than necessary to fulfill all current requirements. The rule changes are: 1) establish health and safety standards for radiology equipment, operating personnel and patients; and 2) require all hospitals, cancer treatment centers, radiation diagnostic centers, health clinics, and other non-health care businesses using radiology equipment to certify once a biennium to DPHHS that health and safety standards are met. DPHHS would inspect annually 20 percent of all remaining radiology equipment used in dental, chiropractic, podiatrist, veterinarian, and private physician offices.

There are 960 radiological installations in Montana. Currently the Quality Assurance Division has 1.0 FTE to survey, inspect, register, and license radiology facilities and services. The position was vacant for an extended period of time due to inability to recruit. Administrative Rules of Montana require that a facility register radiological equipment within 30 days of acquisition and reregister equipment every 2 years and that the equipment be inspected as time and resources allow.

Funding

The Quality Assurance Division is funded primarily from federal funds (68.5 percent of the fiscal 2003 appropriation). The single largest source of federal funds is Medicaid funding. General fund accounts for 29 percent of program funding; state special revenue accounts for 3 percent.

Table 26
Quality Assurance Division Funding

Fund Source	Actual Fiscal 2000	Legislative Appropriation Fiscal 2002	Fiscal 2003	Percent of Total
General Fund	\$ 1,658,639	\$2,065,376	\$2,084,277	28.7%
Percent of Total Funds	27.0%	28.5%	28.7%	
State Special Revenue				
Lien & Estate Recovery	\$144,538	\$164,474	\$154,474	2.1%
Earmarked Alcohol Funds	57,227	55,148	55,508	0.8%
County Funds	185,118	0	0	0.0%
Subtotal State Special Revenue	<u>\$386,883</u>	<u>\$219,622</u>	<u>\$209,982</u>	<u>2.9%</u>
Percent of Total Funds	6.3%	3.0%	2.9%	
Federal Funds				
Title 18 (Medicare)	\$1,034,633	\$1,074,095	\$1,082,162	14.9%
Medicaid Administration	909,948	937,499	941,228	12.9%
Rural Hospital Flexibility	0	800,000	800,000	11.0%
Medicaid Benefits	416,840	449,885	453,101	6.2%
Discretionary Child Care	444,994	416,320	418,868	5.8%
Child Care Administration	78,945	79,025	79,509	1.1%
Title IV-E (Foster Care)	77,757	77,829	78,268	1.1%
Title 18 (Medicare - CLIA)	58,303	58,573	58,946	0.8%
FDA Mammography Inspec.	46,814	48,169	48,461	0.7%
OBRA Nurse Aide	15,105	28,771	28,918	0.4%
ADAD Block Grant	3,528	3,528	3,528	0.0%
Indirect/Cost Allocation	<u>1,006,889</u>	<u>983,503</u>	<u>987,619</u>	<u>13.6%</u>
Subtotal Federal Funds	<u>\$4,093,756</u>	<u>\$4,957,197</u>	<u>\$4,980,608</u>	<u>68.5%</u>
Percent of Total Funds	66.7%	68.4%	68.5%	
Total Funds	<u>\$6,139,278</u>	<u>\$7,242,195</u>	<u>\$7,274,867</u>	<u>100.0%</u>
Increase Above Base		18.0%	18.5%	
Annual Rate of Change from Base		8.6%	5.8%	

General fund supports the full cost of radiological equipment testing, the state match for Medicaid and Title IV-E (foster care) eligible costs, a portion of childcare licensure, the non federal share of costs for fair hearings for the Medicaid, Food Stamp, and FAIM benefit programs, and a portion of division administration.

State special revenue includes alcohol taxes allocated to DPHHS and lien and estate recoveries for Medicaid services. Alcohol taxes support staff and contracted services for chemical dependency program licensure. Lien and estate funds pay for contracted services to pursue recoveries for the cost of Medicaid-funded nursing home services. The contractor is paid about 20 percent of collections.

The increase in general fund and decline in state special revenue is due primarily to passage of HB 124. HB 124 transfers administration and funding for some functions previously administered and funded by counties to the state.

There are nine separate federal funding sources used by the Quality Assurance Division. Some federal sources support more than one function.

- Medicaid funds support third party (insurance and private pay) recovery, the surveillance, utilization and review unit, the nurse aide registry for nursing homes and the Department of Justice fraud investigation contract
- Medicaid and Medicare funds support certification of nursing home and personal care services
- Medicare CLIA pays for the review of some laboratories so that they can qualify for federal funding
- The rural hospital flexibility grant supports grants and other activities that allow local hospitals to maintain critical access hospital status
- Childcare funding supports licensure of childcare facilities
- Title IV-E pays for the federal share of licensing community residential facilities
- Mammography funds pay for inspections of mammography equipment
- Federal indirect funding represents the federal share of allocated administrative costs, such as those for fair hearings and administrative costs

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				406,554					433,592
Vacancy Savings				(129,955)					(130,764)
Inflation/Deflation				11,656					20,031
Fixed Costs				839					2,297
Total Statewide Present Law Adjustments				\$289,094					\$325,156
DP 91 - Leased Motor Pool Cars									
0.00	(375)	0	(825)	(1,200)	0.00	(375)	0	(825)	(1,200)
DP 172 - Increased Licensure Bureau Services									
0.00	58,737	0	0	58,737	0.00	58,862	0	0	58,862
DP 696 - Data Network Fixed Cost Reduction									
0.00	(36)	0	(126)	(162)	0.00	(36)	0	(126)	(162)
DP 698 - Rent Reduction - Use of Capitol Land Grant									
0.00	(982)	(44)	(842)	(1,868)	0.00	(985)	(45)	(845)	(1,875)
DP 699 - Vacancy Savings at 4 percent									
0.00	(18,744)	(2,686)	(38,420)	(59,850)	0.00	(18,832)	(2,696)	(38,593)	(60,121)
Total Other Present Law Adjustments									
0.00	\$38,600	(\$2,730)	(\$40,213)	(\$4,343)	0.00	\$38,634	(\$2,741)	(\$40,389)	(\$4,496)
Grand Total All Present Law Adjustments				\$284,751					\$320,660

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 91 - Leased Motor Pool Cars - The legislature accepted the reduction of \$2,400 total funds, including \$750 in the general fund for the biennium for two motor pool lease cars in the Billings and Miles City field offices. Appropriations are reduced since the cost of leasing cars is anticipated to be lower than the cost of reimbursing employees for using private vehicles for work-related travel.

DP 172 - Increased Licensure Bureau Services - The legislature accepted the executive request for \$117,599 general fund for the biennium to expand contracted services for licensure and radiology inspection functions. The legislature designated the appropriation as one time only. The executive withdrew funding for 1.0 FTE that was included in the request. As discussed in the program narrative, DPHHS testified that it would amend rules regarding testing of radiological equipment since the appropriations were not sufficient to test all equipment in a timely manner.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 114 - Critical Access Hospital Grant										
08	0.00	0	0	800,000	800,000	0.00	0	0	800,000	800,000
DP 406 - Information Services for Personal Care Facilities										
08	0.00	0	20,000	0	20,000	0.00	0	10,000	0	10,000
DP 425 - HB 124 - Revise Local Government Funding										
08	0.00	211,082	(204,359)	0	6,723	0.00	218,916	(205,400)	0	13,516
DP 689 - FTE Reduction										
08	(4.00)	(8,557)	0	0	(8,557)	(4.00)	(8,587)	0	0	(8,587)
Total	(4.00)	\$202,525	(\$184,359)	\$800,000	\$818,166	(4.00)	\$210,329	(\$195,400)	\$800,000	\$814,929

New Proposals

DP 114 - Critical Access Hospital Grant - The legislature accepted the executive request to add \$1.6 million in federal funds over the biennium to continue a program established through budget amendment in the 2001 biennium. The program provides rural hospitals with grants to purchase equipment and convert to critical access hospital status. Grants have supported emergency medical services, as well as quality improvement and quality assurance programs and activities. Some of the grant funds are being used to fund planning and other activities that will help rural hospitals recruit and retain health professionals.

DP 406 - Information Services for Personal Care Facilities - The legislature appropriated \$30,000 state special revenue from Medicaid lien and estate recoveries. Funds will be used to provide information and education to managers of personal care facilities.

DP 425 - HB 124 - Revise Local Government Funding - The legislature passed HB 124, which revises local government funding. One of the changes included in HB 124 replaces county funding of public welfare and foster care functions with general fund. The legislature increased general fund \$429,998 over the biennium and reduced state special revenue by \$409,759. The net increase in general fund (\$20,239) supports the pay plan increase that would have been paid by county funds prior to the passage of HB 124. The pay plan bill (HB 13) had been transmitted to the Governor prior to passage of HB 124 so general fund to support the pay plan increase in the 2003 biennium was included in HB 2.

DP 689 - FTE Reduction - The legislature directed that 4.0 FTE could not be included in the base budget funding for the 2005 biennium budget request since the FTE had been vacant 7 months or longer. The legislature reduced general fund by \$8,557 in fiscal 2002 and \$8,587 in fiscal 2003.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	140.00	0.00	0.00	140.00	0.00	0.00	140.00	140.00
Personal Services	4,962,930	360,188	(535,335)	4,787,783	390,612	(529,857)	4,823,685	9,611,468
Operating Expenses	22,711,118	2,011,993	(683,548)	24,039,563	2,433,967	(683,548)	24,461,537	48,501,100
Equipment	41,352	0	0	41,352	0	0	41,352	82,704
Debt Service	317,198	0	0	317,198	0	0	317,198	634,396
Total Costs	\$28,032,598	\$2,372,181	(\$1,218,883)	\$29,185,896	\$2,824,579	(\$1,213,405)	\$29,643,772	\$58,829,668
General Fund	10,767,331	1,470,515	(652,626)	11,585,220	1,613,203	(1,177,965)	11,202,569	22,787,789
State/Other Special	2,062,464	185,585	(679,997)	1,568,052	198,179	(149,180)	2,111,463	3,679,515
Federal Special	15,202,803	716,081	113,740	16,032,624	1,013,197	113,740	16,329,740	32,362,364
Total Funds	\$28,032,598	\$2,372,181	(\$1,218,883)	\$29,185,896	\$2,824,579	(\$1,213,405)	\$29,643,772	\$58,829,668

Program Description

The Operations and Technology Division (OTD) provides support services for the Department of Public Health and Human Services. Services provided by the division include: 1) fiscal and accounting services; 2) budget preparation and managerial services; 3) purchasing, leasing and mail room services; and 4) development and operation of internal computer systems and telecommunications.

OTD manages contracts for several large computer systems including:

- The Economic Assistance Management System (TEAMS)
- System for the Enforcement and Recovery of Child Support (SEARCHS)
- Montana Medicaid Information System (MMIS)
- Child and Adult Protective Services System (CAPS)

Program Narrative

Table 27 summarizes the major functions of the Operations and Technology Division. One-third of the division funding supports accounting, budgeting, purchasing, communications, computer support, and similar centralized services functions, while slightly less than two-thirds of the division's funding supports large computer system contracts with private contractors.

Table 27
Operations and Technology Division
Summary of Major Program Functions with Funding

Function	Fiscal 2000 Base Budget			Fiscal 2002 Appropriation			Fiscal 2003 Appropriation		
	General Fund	State Special	Federal	General	State Special	Federal	General	State Special	Federal
Centralized Services Functions:									
Administration - Division	(211,411)	\$242,509	\$440,465	\$138,363	\$24,730	\$249,762	\$186,500	\$28,572	\$285,641
Budget and Analysis	197,885	5,574	194,757	181,061	16,327	174,400	183,029	16,439	175,599
Fiscal *	1,442,956	386,451	1,956,085	1,453,739	156,449	2,328,677	1,404,197	176,545	2,295,231
Legislative Audit (biennial)	76,413	16,663	81,224	154,636	37,800	151,200	77	19	75
Network & Communications Services	569,697	15,339	597,114	570,780	26,707	396,241	574,907	26,841	398,540
Information Systems Bureau	654,457	0	674,245	529,563	28,672	876,766	535,335	28,812	879,206
Internal Support (Purchasing and Supply, etc)	674,315	147,702	717,226	924,247	65,974	843,002	957,118	68,278	872,441
Reimbursement	\$76,864	0	0	614,515	0	0	617,078	0	0
Subtotal Agency Centralized Services	\$3,981,176	\$814,238	\$4,661,116	\$4,566,904	\$356,659	\$5,020,048	\$4,458,241	\$345,506	\$4,906,733
Percent of Total	42.1%	8.6%	49.3%	45.9%	3.6%	50.5%	45.9%	3.6%	50.5%
Other Functions:									
Vital Statistics	\$335,007	\$168,914	\$83,379	\$267,601	\$252,365	\$16,255	\$269,085	\$253,822	\$16,346
Labs	0	568,888	0	0	601,582	0	0	605,689	0
Tumor Registry	51,611	0	553	63,121	0	68,082	63,350	0	68,329
Contracted Computer Systems:									
The Economic Assistance Management									
System for the Enforcement & Recovery of Child	\$2,792,180	\$510,424	\$4,020,723	\$3,189,757	\$0	\$3,762,026	\$3,307,619	\$0	\$3,879,933
Support (SEARCHS)	933,136	0	1,922,908	737,381	357,446	2,125,252	254,214	906,446	2,253,046
Child & Adult Protective Services (CAPS)	1,554,543	0	1,155,090	1,560,196	0	1,440,180	1,610,472	0	1,486,589
Medicaid Management Information (MMIS)	968,708	0	2,906,125	1,049,290	0	3,147,872	1,088,618	0	3,265,855
Med Stat	150,970	0	452,909	150,970	0	452,909	150,970	0	452,909
Subtotal External Systems	\$6,399,537	\$510,424	\$10,457,755	\$6,687,594	\$357,446	\$10,928,239	\$6,411,893	\$906,446	\$11,338,332
Percent of Total	36.8%	2.9%	60.2%	37.2%	2.0%	60.8%	34.4%	4.9%	60.8%
Total Operations and Technology Division	\$10,767,331	\$2,062,464	\$15,202,803	\$11,585,220	\$1,568,052	\$16,032,624	\$11,202,569	\$2,111,463	\$16,329,740
Percent of Total	38.4%	7.4%	54.2%	39.7%	5.4%	54.9%	37.8%	7.1%	55.1%

*The funding for this section includes a general fund reduction equivalent to a 1 percent reduction in personal services costs. The department may allocate this reduction agency wide.

Increased funding to support contracted services for automated systems managed by the Operations and Technology Division is included in the budget for the division responsible for program management including:

- The Child Support Enforcement Division, \$209,104 state special revenue and \$405,908 federal funds as biennial appropriations to increase the SEARCHS facility maintenance contract by 20 percent
- The Human and Community Services Division, \$1.5 million federal funds for reprocurement and enhancements to TEAMS including funding to provide electronic benefit transfer of cash assistance benefits

The department is in the process of programming and implementing electronic benefit transfer of food stamp benefits. This project was begun in the 2001 biennium and will be completed during the 2003 biennium. The department is funding the food stamp electronic benefit transfer project within existing appropriations. No new funding was requested or approved for this purpose.

Funding

The Operations and Technology Division is funded by a combination of general fund, state special revenue, and federal funds. As illustrated in Table 28, general fund provides approximately 38 percent of funding for the division. State special revenue provides 7 percent and federal funding provides 55 percent of the funding for the division. Funding for the Operations and Technology Division is unique to the function being performed.

Table 28
Operations and Technology Division

Fund Source	Fiscal 2000 Actual	Legislative Appropriation		Percent of Total
		Fiscal 2002	Fiscal 2003	
General Fund	\$10,767,331	\$11,585,220	\$11,202,569	37.8%
Percent of Total	38.4%	39.7%	37.8%	
State Special Revenue				
Cost Allocation	\$1,324,662	\$720,673	\$1,258,529	4.2%
Chem Lab	568,888	594,174	598,268	2.0%
Vital Statistics	168,914	253,205	254,666	0.9%
Subtotal State Special Revenue	<u>\$2,062,464</u>	<u>\$1,568,052</u>	<u>\$2,111,463</u>	<u>7.1%</u>
Percent of Total	7.4%	5.4%	7.1%	
Federal Funds				
Cost Allocation	\$15,118,871	\$15,947,374	\$16,244,149	54.8%
Tumor Registry	83,932	85,250	85,591	0.3%
Subtotal Federal Funds	<u>\$15,202,803</u>	<u>\$16,032,624</u>	<u>\$16,329,740</u>	<u>55.1%</u>
Percent of Total	54.2%	54.9%	55.1%	
Total Funds	<u>\$28,032,598</u>	<u>\$29,185,896</u>	<u>\$29,643,772</u>	<u>100.0%</u>
Increase Above Base		4.1%	5.7%	
Annual Rate of Change from Base		2.0%	1.9%	

Administrative, fiscal, and budget support services are charged to the various programs managed by the department through a department-wide cost allocation. Laboratory services are funded by state special revenue generated by the collection of fees. Vital records and statistics are funded with 50 percent general fund, 47 percent state special revenue and 3 percent federal funds. The tumor registry is funded with 48 percent general fund and 52 percent federal funds.

The legislature approved funding for the Operations and Technology Division that is \$1.4 million general fund and \$1.6 million total funds less than the Executive Budget. The general fund support for the division as a percentage of total funding that was included in the Executive Budget was greater than the percentage of general fund support utilized in fiscal 2000. The legislature reduced general fund support for the division by \$750,000 to maintain

general fund as a percentage of total funding at the same level as fiscal 2000 actual funding. Additionally, the legislature reduced state special revenue in the Child Support Enforcement Division by approximately \$1.3 million and provided this funding to the Operations and Technology Division to support costs associated with SEARCHS.

HB 124 passed by the legislature revised local government funding and provided that public assistance and protective services programs be funded with general fund rather than county funds. General fund support for this division was increased by \$1,044,768 in fiscal 2002 and of \$1,070,319 in fiscal 2003 and state special revenue from counties was reduced \$1,037,443 in fiscal 2002 and \$1,055,626 in fiscal 2003 due to the provisions of HB 124.

Present Law Adjustments										
Fiscal 2002					Fiscal 2003					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				581,979					613,675	
Vacancy Savings				(151,161)					(152,112)	
Inflation/Deflation				(837,679)					(834,635)	
Fixed Costs				1,284,111					1,022,179	
Total Statewide Present Law Adjustments				\$877,250					\$649,107	
DP 54 - TEAMS Facility Maintenance Contract										
0.00	24,007	0	24,008	48,015	0.00	60,496	0	60,497	120,993	
DP 55 - MMIS Facility Maintenance Contract										
0.00	80,582	0	241,747	322,329	0.00	119,910	0	359,730	479,640	
DP 56 - CAPS Facility Maintenance Contract										
0.00	50,109	0	46,255	96,364	0.00	56,856	0	52,482	109,338	
DP 57 - SEARCHS Facility Maintenance Contract										
0.00	22,943	0	44,536	67,479	0.00	26,533	0	51,505	78,038	
DP 65 - Cost Allocation Plan Contract										
0.00	19,000	5,000	26,000	50,000	0.00	19,000	5,000	26,000	50,000	
DP 67 - CAPS Computer Processing										
0.00	102,750	0	94,846	197,596	0.00	145,825	0	134,607	280,432	
DP 70 - SEARCHS Computer Processing										
0.00	189,349	0	367,560	556,909	0.00	251,592	0	488,385	739,977	
DP 73 - TEAMS Computer Processing										
0.00	85,554	64,540	150,094	300,188	0.00	131,832	99,453	231,285	462,570	
DP 696 - Data Network Fixed Cost Reduction										
0.00	(12,187)	(2,043)	(10,535)	(24,765)	0.00	(12,712)	(2,145)	(10,988)	(25,845)	
DP 698 - Rent Reduction - Use of Capitol Land Grant										
0.00	(18,980)	(15,730)	(13,844)	(48,554)	0.00	(19,045)	(15,783)	(13,892)	(48,720)	
DP 699 - Vacancy Savings at 4 Percent										
0.00	(34,307)	(12,012)	(24,311)	(70,630)	0.00	(34,458)	(12,071)	(24,422)	(70,951)	
Total Other Present Law Adjustments										
0.00	\$508,820	\$39,755	\$946,356	\$1,494,931	0.00	\$745,829	\$74,454	\$1,355,189	\$2,175,472	
Grand Total All Present Law Adjustments				\$2,372,181					\$2,824,579	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 54 - TEAMS Facility Maintenance Contract - The legislature approved \$84,503 general fund and \$84,505 federal funds for the biennium to increase funding for the existing The Economic Assistance Management System (TEAMS) contract and extend the contract beyond October 31, 2001.

DP 55 - MMIS Facility Maintenance Contract - The legislature approved \$200,492 general fund and \$601,477 federal funds for the biennium to extend the existing facility maintenance contract for the Montana Medicaid Management Information System (MMIS).

DP 56 - CAPS Facility Maintenance Contract - The legislature approved \$106,965 general fund and \$98,737 federal funds for the biennium for increases in the Child and Adult Protective Services System (CAPS) facility maintenance contract for the 2003 biennium.

DP 57 - SEARCHS Facility Maintenance Contract - The legislature approved \$145,517 general and federal funds for the biennium to extend the existing System for the Enforcement and Recovery of Child Support (SEARCHS) facility maintenance contract beyond October 31, 2001.

DP 65 - Cost Allocation Plan Contract - The legislature approved \$38,000 general fund and \$62,000 state special and federal funding for the biennium for consulting services to assist the department in preparing a new public assistance cost allocation plan.

DP 67 - CAPS Computer Processing - The legislature approved \$248,575 general fund and \$229,453 federal funds for the biennium for increased mainframe usage for CAPS.

DP 70 - SEARCHS Computer Processing - The legislature approved \$1.3 million general fund and federal funds for the biennium for increased mainframe usage for SEARCHS.

DP 73 - TEAMS Computer Processing - The legislature approved \$217,386 general fund and \$545,372 state special revenue and federal funds for the biennium for increased mainframe usage for TEAMS.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 425 - HB 124, Revise Local Government Funding										
09	0.00	1,044,768	(1,037,443)	0	7,325	0.00	1,070,319	(1,055,626)	0	14,693
DP 601 - Reduce General Fund Support - Operations & Technology Division										
09	0.00	(375,000)	0	375,000	0	0.00	(375,000)	0	375,000	0
DP 602 - Reduce General Fund Support for SEARCHS										
09	0.00	0	0	0	0	0.00	(549,000)	549,000	0	0
DP 603 - HB 64 Plan, Close Regional CSED Office/Fund SEARCH										
09	0.00	(357,446)	357,446	0	0	0.00	(357,446)	357,446	0	0
DP 607 - Community Collaborative Project (IV-E)										
09	0.00	(25,000)	0	(25,000)	(50,000)	0.00	(25,000)	0	(25,000)	(50,000)
DP 608 - Big Brothers/Big Sisters Increase										
09	0.00	(25,000)	0	0	(25,000)	0.00	(25,000)	0	0	(25,000)
DP 623 - Shift Funding to Child Support Enforcement										
09	0.00	(10,000)	0	0	(10,000)	0.00	(10,000)	0	0	(10,000)
DP 690 - Personal Services General Fund Reduction										
09	0.00	(542,660)	0	0	(542,660)	0.00	(544,550)	0	0	(544,550)
DP 693 - Statewide Travel Reduction										
09	0.00	(158,038)	0	0	(158,038)	0.00	(158,038)	0	0	(158,038)
DP 882 - TEAMS/VHSP Enhancement Reduction										
09	0.00	(128,246)	0	(128,246)	(256,492)	0.00	(128,246)	0	(128,246)	(256,492)
DP 883 - TEAMS EBT Study OTO Reduction										
09	0.00	(16,004)	0	(48,014)	(64,018)	0.00	(16,004)	0	(48,014)	(64,018)
DP 885 - Oracle License OTO										
09	0.00	(60,000)	0	(60,000)	(120,000)	0.00	(60,000)	0	(60,000)	(120,000)
Total	0.00	(\$652,626)	(\$679,997)	\$113,740	(\$1,218,883)	0.00	(\$1,177,965)	(\$149,180)	\$113,740	(\$1,213,405)

New Proposals

DP 425 - HB 124, Revise Local Government Funding - HB 124, passed by the legislature, revised local government funding and provided that public assistance and protective services programs be funded with general fund rather than county funds. General fund support for this division was increased by \$1,044,768 in fiscal 2002 and \$1,070,319 in fiscal 2003 and state special revenue from counties was reduced \$1,037,443 in fiscal 2002 and \$1,055,626 in fiscal 2003 due to the provisions of HB 124

DP 601 - Reduce General Fund Support - Operations & Technology Division - The legislature approved a \$375,000 per year reduction in general fund support for the Operations and Technology Division. The general fund support for this division as a percentage of total funding increased between the 2003 biennium budget request and the fiscal 2000 base budget.

DP 602 - Reduce General Fund Support for SEARCHS - The legislature reduced general fund support for the SEARCHS system costs by \$549,000 in fiscal 2003 to reflect the availability of an equal amount of child support enforcement state special revenue to fund SEARCHS facility maintenance contract costs in fiscal 2003.

DP 603 - HB 64 Plan, Close Regional CSED Office/Fund SEARCH - The legislature approved a portion of the Child Support Enforcement Division's 15 percent reduction plan regarding closure of a regional CSED office. The legislature provided \$357,446 state special revenue per year available due to the reduction in Child Support Enforcement Division costs to the Operations and Technology Division to fund SEARCHS system costs, and removed an equal amount of general fund.

DP 607 - Community Collaborative Project (IV-E) - The legislature removed \$25,000 general fund and \$25,000 federal funds each year of the biennium from the Operations and Technology Division and provided this funding to the Child and Family Services Division to fund 1.0 FTE for the Community Collaborative Project (IV-E).

DP 608 - Big Brothers/Big Sisters Increase - The legislature removed \$25,000 general fund each year of the biennium from the Operations and Technology Division and provided this funding to the Child and Family Services Division to fund an increase in the Big Brothers/Big Sisters program.

DP 623 - Shift Funding to Child Support Enforcement - The legislature approved a plan submitted by the department that shifts funding between divisions to partially reinstate a reduction in FTE (approved by the legislature) in the Child Support Enforcement Division.

DP 690 - Personal Services General Fund Reduction - The legislature reduced general fund personal services funding at a level equivalent to the general fund share of 1 percent of authorized FTE. The entire reduction was made to this division, with the allowance that the agency could reallocate this reduction among divisions when developing 2003 biennium operating plans.

DP 693 - Statewide Travel Reduction - The legislature made a reduction in general fund each year equivalent to 15 percent of all general fund expenditures for travel in the fiscal 2000 budget base. The entire reduction was made to this division, with the allowance that the agency could reallocate this reduction among divisions when developing 2003 biennium operating plans.

DP 882 - TEAMS/VHSP Enhancement Reduction - The legislature approved a reduction of \$512,984, including \$256,492 general fund, to reflect a reduction in The Economic Assistance Management System (TEAMS)/Virtual Human Service Pavilion (VHSP) enhancements activity.

DP 883 - TEAMS EBT Study OTO Reduction - The legislature approved a reduction of \$128,036, including \$32,008 general fund, to decrease the base expenditures by the amount used for a one-time study for Electronic Benefits Transfer (EBT).

DP 885 - Oracle License OTO - The legislature approved a reduction of \$240,000, including \$120,000 general fund, to remove from the base the Oracle license funding that is now alternatively provided within the data network rate.

Language

Item [Operations and Technology Division] includes increases of \$1,044,768 of general fund in fiscal 2002 and of \$1,070,319 of general fund in fiscal 2003 and reductions of \$1,037,443 of state special revenue in fiscal 2002 and \$1,055,626 of state special revenue in fiscal 2003 that are contingent upon passage and approval of HB 124.

Item [Operations and Technology Division] includes a reduction of general fund of \$158,038 in fiscal 2002 and \$158,038 in fiscal 2003. This reduction is the equivalent of a 15 percent reduction in fiscal 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item [Operations and Technology Division] includes a reduction of \$542,660 general fund in fiscal 2002, and \$544,550 general fund in fiscal 2003. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

The department shall make every effort to achieve an unqualified opinion in the financial compliance audit issued by the Legislative Audit Division for the 2 years ending June 30, 2003. The legislature expects the department to take action to ensure that this achievement occurs, including exempting the fiscal bureau from vacancy savings requirements, exempting the fiscal bureau from reductions in staffing, establishing clear and appropriate fiscal policies and processes, and any other management actions that may reasonably be expected to result in the achievement of an unqualified audit opinion.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	607.20	20.00	0.50	627.70	20.00	0.50	627.70	627.70
Personal Services	21,426,688	157,540	73,549	21,657,777	279,755	73,813	21,780,256	43,438,033
Operating Expenses	5,067,882	535,182	0	5,603,064	677,357	0	5,745,239	11,348,303
Equipment	35,047	0	0	35,047	0	0	35,047	70,094
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	65,476,036	3,605,479	7,630,305	76,711,820	3,750,581	5,400,788	74,627,405	151,339,225
Transfers	0	0	0	0	0	0	0	0
Debt Service	55,797	0	0	55,797	0	0	55,797	111,594
Total Costs	\$92,061,450	\$4,298,201	\$7,703,854	\$104,063,505	\$4,707,693	\$5,474,601	\$102,243,744	\$206,307,249
General Fund	41,387,750	1,336,813	2,327,453	45,052,016	1,545,257	3,126,573	46,059,580	91,111,596
State/Other Special	97,368	(14)	0	97,354	(14)	0	97,354	194,708
Federal Special	50,576,332	2,961,402	5,376,401	58,914,135	3,162,450	2,348,028	56,086,810	115,000,945
Total Funds	\$92,061,450	\$4,298,201	\$7,703,854	\$104,063,505	\$4,707,693	\$5,474,601	\$102,243,744	\$206,307,249

Program Description

Disability Services Division assists Montanans with disabilities in living, working, and participating in their communities. The division provides or contracts for institutional care, residential services, home-based services to families, case management, and a variety of employment outcome-related services. These services include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment. Disability Services Division is responsible for medical adjudication of all claims for Social Security Disability and Supplemental Security Income. The division is responsible for the state institutions in Glendive-the Eastmont Human Services Center, and Boulder-the Montana Developmental Center.

The Developmental Disabilities Planning and Advisory Council (DDPAC) is administratively attached.

Vocational rehabilitation serves individuals with orthopedic, mental, visual, hearing, brain, and other disabilities. Developmentally disabled include individuals with mental retardation, epilepsy, autism, or other neurological conditions that require treatment similar to those required by someone with mental retardation. The developmental disability must have originated before age 18 and have resulted in a substantial handicap for indefinite duration. Statutory authority for the program is provided in Title 53, MCA, 29 U.S.C. 721 et. seq., 2 U.S.C. 75, 72 U.S.C. 1300, 42 CFR 441, and 34 CRF Part 303.

Program Narrative

The Disability Services Division (DSD) is responsible for three major program functions which are: 1) provision of services to developmentally disabled individuals; 2) provision of vocational rehabilitation services; and 3) administration of social security disability determinations. As illustrated in Table 29, community and institutional services for developmentally disabled individuals comprise 80 percent of the funding for the division. Vocational rehabilitation services and disability determination, combined with developmental disability program administration, comprise 11.7 percent and 4.4 percent of the funding for the division, respectively.

Table 29

Disability Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2000			Total Funds	Fiscal 2002			Total Funds	Fiscal 2003			Total Funds	Percent of Division Total
	Gen. Fund	SSR	Federal		Gen. Fund	SSR	Federal		Gen. Fund	SSR	Federal		
Community Svcs - Dev. Disabled	\$22,754,563	\$45,228	\$35,445,478	\$58,245,269	\$25,905,377	\$45,214	\$42,905,899	\$68,856,490	\$26,743,886	\$45,214	\$39,686,495	\$66,475,595	65.0%
Institutional Svcs - Dev. Disabled	15,030,937	52,140	0	15,083,077	15,326,704	52,140	0	15,378,844	15,405,929	52,140	0	15,458,069	15.1%
Vocational Rehabilitation	2,911,446	0	8,073,740	10,985,186	3,090,555	0	8,563,597	11,654,152	3,178,454	0	8,776,722	11,955,176	11.7%
Vocational Rehabilitation - Admin	690,804	0	3,050,764	3,741,568	704,380	0	3,103,224	3,807,604	706,311	0	3,110,361	3,816,672	3.7%
Dev. Disabilities Admin, Disability													
Determination and DDPAC	0	0	4,006,350	4,006,350	0	0	4,341,415	4,341,415	0	0	4,513,232	4,513,232	4.4%
Donated Dental	0	0	0	0	25,000	0	0	25,000	25,000	0	0	25,000	0.0%
Total	\$41,387,750	\$97,368	\$50,576,332	\$92,061,450	\$45,052,016	\$97,354	\$58,914,135	\$104,063,505	\$46,059,580	\$97,354	\$56,086,810	\$102,243,744	100.0%
Percent of Total	45.0%	0.1%	54.9%	100.0%	43.3%	0.1%	56.6%	100.0%	45.0%	0.1%	54.9%	100.0%	

Sixty-five percent of the division's funding supports community services and 15.1 percent supports institutional services for developmentally disabled individuals. Table 30 summarizes the total costs, cost per person, and costs per day of care for Eastmont Human Services Center (EHSC) and the Montana Developmental Center (MDC), the two institutions administered by DSD. The average costs per person at EHSC increases 29.3 percent from \$80,090 to \$103,593 between fiscal 2000 and fiscal 2002 while the average cost per person at MDC increases from \$134,748 to \$144,100 or 6.9 percent during the same time period. The increase in the costs per person at EHSC is due primarily due to the fact that the population is declining at a more rapid rate than costs. Total annual costs for EHSC decline approximately \$300,000 between fiscal 2000 and fiscal 2002 while the population declines from 47 to 33 individuals.

Challenges and Priorities

The Disability Services Division faces significant programmatic challenges surrounding the design and provision of services to the developmentally disabled. Several significant factors are exerting sometimes-conflicting pressure in the developmental disabilities arena. Among the external factors impacting provision of services to the developmentally disabled are: 1) Travis D., a pending lawsuit filed by the Montana Advocacy Program (MAP); 2) the U.S. Supreme Court decision in the *Olmstead v L.C.* case; 3) the findings of a Health Care Financing Administration (HCFA) review of services provided under the Home and Community Based Services Waiver (HCBS); and 4) community provider staffing and wage issues.

As the legislature reviewed the budget for the Disability Services Division, Developmental Disabilities Programs, prioritization of funding focused on the following:

- Direct care worker wages
- Community providers and the availability and strengthening of the community placement infrastructure
- Movement of individuals out of institutional settings
- Needs of individuals on the waiting list
- Compliance with the requirements of the US Supreme Court decision in the *Olmstead* case
- Compliance with and changes necessitated by the findings of the HCFA review

To support achievement of the priorities outlined in the preceding paragraph, the legislature appropriated:

- \$3.1 million general fund and \$3.0 million federal funds to support increases in wages of direct care workers employed by community providers
- \$1.0 million general fund to be used by the division for provider rate increases, reductions in the waiting list, or other items consistent with the priorities identified in the preceding paragraph
- \$2.8 million general fund to be used to support individuals in the institutions and for the purpose of movement of at least 32 individuals to community settings
- \$4.0 federal funding in a biennial appropriation to support the efforts of the division to access additional federal funds

Table 30
Developmental Disabilities Division
Summary of Institutional Costs

	Fiscal 2000 Base	Fiscal 2002 Request	Fiscal 2003 Request
<u>Eastmont Human Services Center</u>			
FTE	97.43	97.43	97.43
Direct Care	\$1,232,783	\$1,599,207	\$1,616,183
Non Direct Care	2,524,798	1,812,685	1,826,832
MAP lawsuit	6,663	6,663	6,663
Total Costs*	<u>\$3,764,244</u>	<u>\$3,418,555</u>	<u>\$3,449,678</u>
Estimated Average Population	47	33	33
Annual Costs Per Person	\$80,090	\$103,593	\$104,536
Annual Days of Care	17,155	12,045	12,045
Average Costs Per Day of Care	\$219	\$284	\$286
Percent Increase		29.3%	0.9%
<u>Montana Developmental Center</u>			
FTE	296.6	316.6	316.6
MDC Direct Care	\$40,478	\$1,419,983	\$1,420,156
MDC Non Direct Care	<u>11,278,355</u>	<u>10,540,349</u>	<u>10,588,278</u>
Total Costs*	<u>\$11,318,833</u>	<u>\$11,960,332</u>	<u>\$12,139,758</u>
Estimated Average Population	84	83	83
Annual Costs Per Person	\$134,748	\$144,100	\$146,262
Annual Days of Care	30,660	30,295	30,295
Average Costs Per Day of Care	\$369	\$395	\$401
Percent Increase		6.9%	1.5%

***Notes:**

Does not include \$44,719 expended for equipment that was one-time-only appropriation nor debt service costs of \$965,496 per year.

- flexibility for the division to utilize funding to pursue refinancing efforts and system changes implementing the priorities outlined in the preceding paragraph

Benefits

Table 31 summarizes the benefits budgeted for the DSD and shows that Medicaid related services for developmentally disabled individuals increase from \$33.6 million to \$44.2 million in fiscal 2002 and \$41.8 million in fiscal 2003. Fiscal 2002 funding is higher than fiscal 2003 because it includes a \$4.0 million biennial appropriation of additional federal funding, which may be expended in either year of the biennium. General fund support for Medicaid related services for developmentally disabled individuals increases from \$9.5 million in fiscal 2000 to \$12.3 and \$13.2 million in fiscal 2002 and 2003, respectively. The items comprising the increased general and federal funds for benefits for the developmentally disabled are listed in the preceding paragraph.

Vocational Rehabilitation benefits increase from \$5.2 million in fiscal 2000 to \$5.8 and \$6.1 million in fiscal 2002 and 2003, respectively. General fund support for Vocational Rehabilitation benefits increases approximately \$80,000 per year. The majority of the funding increase is in federal funds.

Table 31
Disability Services Division
Summary of Benefit and Grant Programs by Fund Source

Program	Fiscal 2000 Actual			Fiscal 2002 Appropriation			Fiscal 2003 Appropriation		
	General Fund	SSR	Federal Funds	General Fund	SSR	Federal Funds	General Fund	SSR	Federal Funds
Benefits									
Vocational Rehabilitation	\$1,098,100	\$0	\$4,139,544	\$1,261,137	\$0	\$4,588,426	\$1,348,166	\$0	\$4,798,245
Visual Services (Medical)	85,738	0	0	85,738	0	0	85,738	0	0
Independent Living	14,447	0	208,366	20,697	0	208,366	19,365	0	209,698
Blind/Low Vision	566,242	0	2,092,172	566,242	0	2,092,172	566,242	0	2,092,172
Supported Employment	2,284	0	301,594	2,284	0	301,594	2,284	0	301,594
Indep. Living Part B	255,825	0	243,627	255,825	0	243,627	255,825	0	243,627
Migrant Worker	0	0	176,546	0	0	176,546	0	0	176,546
Extended Employment	809,281	0	0	809,281	0	0	809,281	0	0
Social Security Benefits	0	0	640,734	0	0	640,734	0	0	640,734
DD Medicaid	9,509,260	0	24,132,459	12,354,856	0	31,871,155	13,188,551	0	28,646,680
DD Part C	3,747,814	0	1,611,881	3,747,814	0	1,611,881	3,748,035	0	1,611,660
DD GF/Title XX	7,485,577	0	6,734,799	7,785,577	0	6,434,799	7,785,577	0	6,434,799
Targeted Case Managmt.	571,100	0	806,023	561,901	0	815,222	560,345	0	816,778
Disability Determination	0	0	74,157	0	0	82,480	0	0	91,997
DDPAC	0	0	168,466	0	0	168,466	0	0	168,466
Donated Dental	0	0	0	25,000	0	0	25,000	0	0
Total Benefits	\$24,145,668	\$0	\$41,330,368	\$27,476,152	\$0	\$49,235,468	\$28,394,409	\$0	\$46,232,996
			\$65,476,036			\$76,711,820			\$74,627,405

Olmstead

In June 1999 the U.S. Supreme Court issued its decision in the Olmstead v. L.C. case. The Olmstead case was brought by two Georgia women whose disabilities included mental retardation and mental illness, and who lived in state run institutions at the time the suit was filed despite treatment professionals' determination that they could be appropriately served in a community setting. The plaintiffs asserted that continued institutionalization was a violation of their right under the Americans with Disabilities Act (ADA) to live in the most integrated setting appropriate. The U.S. Supreme Court responded to the fundamental question of whether it is discrimination to deny people with disabilities services in the most integrated setting appropriate. Based upon the Olmstead decision, states are required to provide community based services for persons with disabilities who would otherwise be entitled to institutional services when: 1) the state's treatment professionals determine that such placement is appropriate; 2) the affected persons do not oppose such treatments; and 3) the placement can be reasonably accommodated, taking into account the resources available to the state and the needs of others who are receiving state supported disability services. The court cautions that nothing in the ADA condones termination of institutional settings for persons unable to handle or benefit from community settings.

Under the ADA, states are obliged to make reasonable modifications in policies, practices, or procedures when the modifications are necessary to avoid discrimination on the basis of disability unless the public entity can demonstrate that making the modifications would fundamentally alter the nature of the service program or activity (28 CFR 35.130(b)(7)). The Supreme Court indicated that the test as to whether a modification entails fundamental alteration of a program takes into account three factors: 1) the cost of providing services to the individual in the most integrated setting appropriate; 2) the resources available to the state; and 3) how the provision of services affects the ability of the state to meet the needs of others with disabilities. The courts suggests that a state could establish compliance with the ADA if it demonstrates that it has: 1) a comprehensive, effectively working plan for placing qualified persons with disabilities in less restrictive settings; and 2) a waiting list that moves at a reasonable pace not controlled by the state's endeavors to keep its institutions fully populated.

A federal district court in Pennsylvania rejected the argument that the U.S. Supreme Court decision in Olmstead confers on institutionalized individuals the right to remain in a large, state operated facility. In Richard C. v. Houstons the federal district court confirmed that nothing in the Olmstead ruling precludes a state from closing or downsizing an institution or placing individual residents into the community. The ADA does not confer on individuals or parents and guardians the right to veto such actions.

The division is in the process of developing a plan for compliance with the requirements of the Olmstead decision. The division expects to have their Olmstead compliance plan written by June 2001.

HCFA Review

In September 2000, federal staff from the Denver regional office of HCFA completed a review of services provided to the developmentally disabled under the Home and Community Based Services (HCBS) Waiver administered by the DSD. The findings of the review included:

- The provider selection process utilized to select waiver service providers violates freedom of choice for providers
- HCFA officials observed situations that may compromise the health and welfare of clients
- The waiver amendment for services the division refers to as "community supports" has not been approved by HCFA even though the division has begun providing and billing for services under this waiver amendment
- Direction that the division should discontinue expansion of waiver services for adults. This restriction has been modified and waiver services for adults may be expanded, except at two provider sites where HCFA officials identified client health and welfare issues

HCFA officials issued a draft report of their findings in February 2001. The department's response to HCFA, dated March 23, 2001, indicates that the department concurs with the majority of the findings and recommendations of the HCFA review and provides information regarding the department's plan for corrective actions to be taken to achieve compliance with HCFA requirements. The department did not concur with findings that: 1) family members providing

respite services should have a signed provider agreement; 2) the community supports program was created without prior approval from HCFA; and 3) the state should amend Administrative Rules of Montana related to the use of chemical restraints (i.e. psychotropic drugs).

Table 32
Disability Services Division Funding

Fund Source	Fiscal 2000 Actual	Legislative Appropriations Fiscal 2002	Fiscal 2003	Percent of Total
General Fund	\$41,387,750	\$45,052,016	\$46,059,580	45.0%
Percent of Total	45.0%	43.3%	45.0%	
State Special Revenue				
MDC Vocational	\$48,674	\$48,674	\$48,674	0.0%
DDP Conference	45,228	45,214	45,214	0.0%
Donated Funds - MDC	2,433	2,433	2,433	0.0%
Donations - Eastmont	1,033	1,033	1,033	0.0%
Subtotal State Special Revenue	\$97,368	\$97,354	\$97,354	0.1%
Percent of Total	0.1%	0.1%	0.1%	
Federal Funds				
Medicaid Benefits	\$24,870,545	\$32,617,584	\$29,394,665	28.7%
Rehab Section 110A	8,972,256	9,542,878	9,763,148	9.5%
Title XX - Social Services Block Grnt	6,725,243	6,434,799	6,434,799	6.3%
Disability Determination	3,604,777	3,953,523	4,124,693	4.0%
Cost Allocation	2,169,872	2,117,198	2,120,669	2.1%
Part H Early Intervention	1,611,832	1,611,881	1,611,660	1.6%
Social Security Trust Funds	640,743	640,734	640,734	0.6%
Mon Tech	500,778	500,659	500,659	0.5%
DDPAC Administration	401,573	411,000	411,749	0.4%
VI-C Supported Employment	301,594	301,594	301,594	0.3%
Independent Living	292,437	297,113	297,268	0.3%
Independent Living Older Blind	215,685	215,319	215,319	0.2%
Handicapped Migrant	176,546	176,546	176,546	0.2%
Medicaid Administration	67,986	68,842	68,842	0.1%
Inservice Training	24,465	24,465	24,465	0.0%
Subtotal Federal Funds	\$50,576,332	\$58,914,135	\$56,086,810	54.9%
Percent of Total	54.9%	56.6%	54.9%	
Total Funds	<u>\$92,061,450</u>	<u>\$104,063,505</u>	<u>\$102,243,744</u>	<u>100.0%</u>
Increase Above Base		13.0%	11.1%	
Annual Rate of Change from Base		6.3%	3.6%	

Funding

The Disability Services Division (DSD) is funded primarily with a combination of general fund and federal funds. General fund provides 45.0 percent of the division's funding and federal funds provide 54.9 percent of the division's funding (Table 32). A small amount of funding (less than \$100,000 annually) is also received from state special revenue sources. Sources of federal funds include:

- Medicaid
- Rehabilitation Grants
- Title XX - Social Services Block Grant (SSBG)
- The Social Security Disability Determination program

The Montana Development Center (MDC) and Eastmont Human Services Center (EHSC) are funded with general fund. Eligible services are billed to the Medicaid program and the Medicaid reimbursement received is deposited into the general fund.

Community services for the developmentally disabled are funded by a combination of general fund, state special revenue, and federal funds. Sources of federal funding for Developmentally Disabled Services include the Medicaid Home and Community Based Waiver (HCBS) and Title XX, Social Services

Block Grant. Funding for Title XX has been declining. Montana has maintained Title XX funding for DSD at a consistent level by transferring \$1.3 million annually from TANF to Title XX.

Vocational Rehabilitation Services are funded with a combination of general fund and federal funds and Disability Determination Services are funded 100 percent with federal funds.

Present Law Adjustments									
Fiscal 2002					Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				(318,105)					(195,493)
Vacancy Savings				(567,202)					(570,880)
Inflation/Deflation				40,261					37,168
Fixed Costs				11,956					14,025
Total Statewide Present Law Adjustments				(\$833,090)					(\$715,180)
DP 7 - EHSC Base Adjustment For Reduced Population									
0.00	44,408	0	0	44,408	0.00	57,190	0	0	57,190
DP 22 - DDS Base Adjustment									
0.00	0	0	265,038	265,038	0.00	0	0	425,886	425,886
DP 30 - Annualize/Provide For Tuition Increase									
0.00	57,154	0	211,178	268,332	0.00	86,034	0	317,883	403,917
DP 31 - Annualize Direct Care Wage Increase									
0.00	455,177	0	454,823	910,000	0.00	454,303	0	455,697	910,000
DP 33 - Annualize DSD Provider Rate Increase									
0.00	308,431	0	251,529	559,960	0.00	308,120	0	251,840	559,960
DP 45 - Movement From Institutions To Communities									
0.00	485,060	0	1,303,510	1,788,570	0.00	482,556	0	1,306,014	1,788,570
DP 46 - Annualize VR Caseload Increase									
0.00	14,440	0	53,354	67,794	0.00	14,440	0	53,354	67,794
DP 66 - Maximum Institutional Population Target									
20.00	1,400,277	0	0	1,400,277	20.00	1,400,224	0	0	1,400,224
DP 68 - Annualize DSD Base Year Increases									
0.00	31,976	0	78,831	110,807	0.00	27,093	0	67,395	94,488
DP 71 - Independent Living Older Blind Base									
0.00	6,250	0	0	6,250	0.00	6,250	0	0	6,250
DP 696 - Data Network Fixed Cost Reduction									
0.00	(664)	(14)	(1,267)	(1,945)	0.00	(664)	(14)	(1,267)	(1,945)
DP 698 - Rent Reduction - Use of Capital Lunge Grant									
0.00	(2,512)	0	(6,211)	(8,723)	0.00	(2,521)	0	(6,233)	(8,754)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(196,730)	0	(82,747)	(279,477)	0.00	(197,619)	0	(83,088)	(280,707)
Total Other Present Law Adjustments									
20.00	\$2,603,267	(\$14)	\$2,528,038	\$5,131,291	20.00	\$2,635,406	(\$14)	\$2,787,481	\$5,422,873
Grand Total All Present Law Adjustments				\$4,298,201					\$4,707,693

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 7 - EHSC Base Adjustment For Reduced Population - The legislature approved \$101,598 general fund for the biennium for costs adjustments at Eastmont Human Services Center. Decreases in operational costs resulting from movement of 12 individuals from EHSC to community services are offset by increases for overtime, differential pay, and holidays worked.

DP 22 - DDS Base Adjustment - The legislature approved \$690,924 in federal funds for the biennium to fund a projected 10 percent increase in the level of services provided by the Disability Determination Services Program. These funds will cover costs associated with staff overtime, a contract to provide on-the-job training for two individuals with developmental disabilities, increased need for medical consultants, rental of additional office space, and an increase in reimbursement costs for claimants required to travel to examinations.

DP 30 - Annualize/Provide For Tuition Increase - The legislature approved \$143,188 general fund and \$529,061 federal funds for the biennium to annualize funding of the fiscal 2001 4.0 percent increase in tuition costs approved by the 1999 legislature and to fund an anticipated increase of 4.0 percent in tuition costs for each year of the 2003 biennium.

DP 31 - Annualize Direct Care Wage Increase - The legislature approved \$909,480 general fund and \$910,520 federal funds for the biennium to annualize the direct care salary increase authorized by the 1999 legislature into the fiscal 2003 biennium budget.

DP 33 - Annualize DSD Provider Rate Increase - The legislature approved \$616,551 in general fund and \$503,369 federal funds for the biennium to annualize the cost of the 1.0 percent rate increase authorized by the 1999 legislature into the 2003 biennium budget for providers of vocational rehabilitation (VR) and developmental disability (DDP) services.

DP 45 - Movement From Institutions To Communities - The legislature approved \$967,616 general fund and \$2,609,524 federal funds for the biennium to continue funding services for the 32 individuals that were placed into community services from the Montana Developmental Center and Eastmont Human Services Center during the 2001 biennium.

DP 46 - Annualize VR Caseload Increase - The legislature approved \$28,880 general fund and \$106,708 federal funds for the biennium to continue funding for client benefits and administrative costs that were authorized by the 1999 legislature. The fiscal 2000 base does not include a full year of costs because the two counselor positions were not filled until midway through the year and projected caseload increases will increase benefit costs.

DP 66 - Maximum Institutional Population Target - The legislature approved \$2.8 million general fund for the biennium to fund services for the developmentally disabled. The department is to move 32 individuals from institutional settings to community settings during the 2003 biennium and the population of individuals served in institutional settings at the end of the 2003 biennium is to be no more than 88 individuals. This is a one-time-only appropriation.

DP 68 - Annualize DSD Base Year Increases - The legislature approved \$59,069 general fund and \$146,226 federal funds for the biennium to fund increased rent costs and moving expenses for the field offices.

DP 71 - Independent Living Older Blind Base - The legislature approved \$12,500 general fund for the biennium to cover the state match needed for the Independent Living Older Blind grant. The federal fiscal 2000 grant award of \$205,000 requires general fund match of 10.9 percent. The purpose of this grant is to assist elderly who are blind or visually impaired with services or adaptive equipment necessary to assist them in continuing to live in their homes.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capital Land Grant - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 112 - DDP Federal Authority										
10	0.00	0	0	4,000,000	4,000,000	0.00	0	0	0	0
DP 113 - DDS Workload increase										
10	2.00	0	0	79,201	79,201	2.00	0	0	79,481	79,481
DP 119 - DD Provider Wage Parity										
10	0.00	777,101	0	748,637	1,525,738	0.00	2,321,216	0	2,248,904	4,570,120
DP 128 - VR Provider Rate Increase										
10	0.00	56,792	0	100,712	157,504	0.00	114,941	0	203,826	318,767
DP 604 - Developmental Disability Program Funding										
10	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 605 - General Fund Decrease - Revised Federal Match Rate										
10	0.00	(60,000)	0	0	(60,000)	0.00	(213,000)	0	0	(213,000)
DP 606 - Donated Dental Services										
10	0.00	25,000	0	0	25,000	0.00	25,000	0	0	25,000
DP 623 - Shift Funding to Child Support Enforcement										
10	0.00	(40,000)	0	0	(40,000)	0.00	(40,000)	0	0	(40,000)
DP 624 - Funding Shift - General Fund/Title XX										
10	0.00	300,000	0	(300,000)	0	0.00	300,000	0	(300,000)	0
DP 626 - Direct Care Worker Wage Parity - Additional										
10	0.00	774,212	0	747,851	1,522,063	0.00	75,119	0	68,375	143,494
DP 627 - Direct Care Worker Wage Parity - Additional FY03										
10	0.00	0	0	0	0	0.00	48,965	0	47,442	96,407
DP 689 - FTE Reduction										
10	(1.50)	(5,652)	0	0	(5,652)	(1.50)	(5,668)	0	0	(5,668)
Total	0.50	\$2,327,453	\$0	\$5,376,401	\$7,703,854	0.50	\$3,126,573	\$0	\$2,348,028	\$5,474,601

New Proposals

DP 112 - DDP Federal Authority - The legislature approved \$4.0 million federal funds as a biennial appropriation, so that the Developmental Disabilities Program (DDP) may pursue additional federal revenue.

DP 113 - DDS Workload Increase - The legislature approved \$158,682 federal funds for the biennium to fund an additional 2.0 FTE disability claims managers in the Disability Determination Services Program. These positions would be used to process a projected increase in workload of 1,000 cases each year of the 2003 biennium.

DP 119 - DD Provider Wage Parity - The legislature approved approximately \$3.1 million general fund and \$3.0 million federal funds to increase wages and benefits for direct service staff working in private nonprofit corporations. This represents an increase of 4.6 percent in fiscal 2002 and an additional 9.3 percent increase in fiscal 2003.

DP 128 - VR Provider Rate Increase - The legislature approved \$171,733 general fund and \$304,538 federal funds for the biennium to fund a 2.7 percent per year provider rate increase for providers of vocational rehabilitation services.

DP 604 - Developmental Disability Program Funding - The legislature approved additional funding of \$500,000 general fund each year of the biennium. The legislature approved the department plan to use this funding to: 1) provide a 1.0 percent provider rate increase in the first year of the biennium; 2) offset a base reduction for a change in the Medicaid matching rate; and 3) reduce the developmental disabilities program waiting list by approximately 11 individuals.

DP 605 - General Fund Decrease - Revised Federal Match Rate - The legislature reduced general fund in the Developmental Disabilities Program by \$273,000 for the biennium to reflect an increase in the federal medical participation rate (FMAP) and corresponding decrease in general fund match requirements.

DP 606 - Donated Dental Services - The legislature approved \$50,000 general fund for the biennium to continue support for the donated dental service program.

DP 623 - Shift Funding to Child Support Enforcement - The legislature approved a plan submitted by the department that shifts general fund from various divisions to the Child Support Enforcement Division to partially reinstate a reduction in FTE approved by the legislature.

DP 624 - Funding Shift - General Fund/Title XX - The legislature approved shifting \$300,000 per year general fund from the Senior and Long Term Care Division to the Disability Services Division and shifting \$300,000 per year federal Title XX funds from the Disabilities Services Division to the Senior and Long Term Care Division.

DP 626 - Direct Care Worker Wage Parity - Additional - The legislature provided an additional \$849,331 general fund and \$816,226 federal matching funds, to the Disability Services Division to increase funding for direct care workers employed by community providers of services to the developmentally disabled. The legislature obtained the additional general fund provided to the Disability Services Division by removing funding for implementation of elimination of the Medicaid asset test.

DP 627 - Direct Care Worker Wage Parity - Additional FY03 - The legislature increased the fiscal 2003 funding for increased wages to direct care workers of community providers of services to developmentally disabled individuals by \$48,965 general fund and \$47,442 federal funds.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

The Developmental Disability Program is directed to use existing general fund appropriations within the developmental disabilities program budget to refinance services, if possible. General fund money made available through refinancing efforts may be used to:

1. reduce the Developmental Disability Program waiting list;
2. improve wages paid by community providers to direct care workers;
3. fund a provider rate increase to community services providers; and
4. fund existing plans of care for individuals waiting for residential services.

The developmental disabilities program will report to the Legislative Fiscal Division semiannually in January and July:

1. the amount of general fund money that was made available through refinancing efforts;
2. the amount, scope, and nature of services provided by funds made available through refinancing;
3. the number of consumers, providers, and direct care worker staff benefiting from initiatives funded through refinancing efforts; and
4. the amount of additional state special and federal funds obtained through refinancing efforts.

Item [Disability Services Division] includes \$3,996,613 general fund and \$3,861,208 in federal funds to begin equalization of wages paid to direct care workers employed by developmental disability community providers with direct care worker wages paid to employees at Eastmont Human Services Center and the Montana Developmental Center.

The Disability Services Division shall complete a report on the impact that applying income criteria to determine eligibility for Developmental Disabilities Program services and benefits would have on individuals, the waiting list for services, and the budget for the Developmental Disabilities Program. The report must be presented to the Legislative Finance Committee by June 30, 2002. The report to the Legislative Finance Committee should include by age group (0-3, 4-5, 6-18, 18-21, and over 21 years of age) and by residential setting (recipient home, group home, institution, etc.):

1. the number of nonmedicaid-eligible recipients and the value of services, by funding source, provided to individuals and families with income at or below 200 percent of the federal poverty level; and
2. the number of nonmedicaid-eligible recipients and the value of services, by funding source, provided to individuals and families with income at or below 150 percent of the federal poverty level.

The fiscal 003 funds in item [Disability Services Division] may not be expended until the report has been presented to the Legislative Finance Committee.

Included in item [Movement from Institutions to Community Settings (maximum institutional population target)] is general fund of \$1,400,277 in fiscal 2002 and \$1,400,224 in fiscal 2003. This funding is one time only. The combined population at the two institutions (Eastmont Human Services Center and Montana Developmental Center) may not exceed 88 individuals at the end of the 2003 biennium. If the Disability Services Division has a population of more than 88 individuals at the two institutions at the end of the 2003 biennium, the division shall certify that a community residential setting was not available for the individuals remaining in the two institutions.

The department shall distribute funds in item [Direct Care Worker Wage Parity] in a way that provides reasonable assurance that the funds are used solely for direct care wage and benefit increases. Not all providers or types of direct care workers must receive the same rate increase for the biennium. Funds appropriated in item [Direct Care Worker Wage Parity] may be used only for direct care worker wage increases. Funds in item [Direct Care Worker Wage Parity] may not be used to fund other programs. In the event that the department finds it necessary to institute program reductions, it is the intent of the legislature that funds in item [Direct Care Worker Wage Parity] be the last eliminated.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	160.04	9.00	2.50	171.54	18.00	4.50	182.54	182.54
Personal Services	5,481,572	268,677	94,884	5,845,133	546,222	161,952	6,189,746	12,034,879
Operating Expenses	2,745,808	1,525,046	162,802	4,433,656	1,596,247	142,452	4,484,507	8,918,163
Equipment	39,141	27,983	12,500	79,624	27,983	7,500	74,624	154,248
Grants	6,243,240	(651,323)	808,534	6,400,451	(651,323)	775,657	6,367,574	12,768,025
Benefits & Claims	145,636,617	9,224,876	22,402,512	177,264,005	10,566,757	31,628,080	187,831,454	365,095,459
Transfers	0	0	0	0	0	0	0	0
Debt Service	4,403	0	0	4,403	0	0	4,403	8,806
Total Costs	\$160,150,781	\$10,395,259	\$23,481,232	\$194,027,272	\$12,085,886	\$32,715,641	\$204,952,308	\$398,979,580
General Fund	41,427,657	2,042,613	967,455	44,437,725	2,187,486	2,598,616	46,213,759	90,651,484
State/Other Special	2,790,322	208,868	4,779,034	7,778,224	395,639	5,743,356	8,929,317	16,707,541
Federal Special	115,932,802	8,143,778	17,734,743	141,811,323	9,502,761	24,373,669	149,809,232	291,620,555
Total Funds	\$160,150,781	\$10,395,259	\$23,481,232	\$194,027,272	\$12,085,886	\$32,715,641	\$204,952,308	\$398,979,580

Program Description

The Senior and Long-Term Care Division plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through six major programs. 1) The Office on Aging oversees contracts with Area Agencies on Aging to provide meals, transportation, public education, information and assistance, and other services. 2) The Medicaid Community Services Program pays for in-home, assisted living, and other community-based services to Medicaid eligible individuals as an alternative to nursing home care. 3) The Medicaid Nursing Facility Program pays for care to Medicaid eligible individuals in Montana's 98 nursing homes. 4) Skilled nursing facility care is provided to veterans at the 90-bed Montana Veterans' Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans' Home (EMVH) in Glendive. 5) The State Supplemental Payments Program pays for a portion of the room and board costs for individuals eligible for supplemental security income payments and residing in designated residential care facilities. 6) The Adult Protective Services Program investigates abuse and neglect of the elderly and disabled and provides some support benefits.

Biennium Budget Comparison

The Program Legislative Budget, Present Law Adjustment, and New Proposal tables all measure changes in the 2003 biennium appropriation compared to fiscal 2000 base budget expenditures. However, a significant proportion of the present law adjustments for benefits and personal services costs in this program are related to incremental changes between fiscal 2000 actual costs and fiscal 2001 appropriation increases. The fiscal 2001 appropriation, which is not reflected in the Program Legislative Budget table, supports provider rates increases, growth in Medicaid caseloads, expansion of the Medicaid funded community waiver services, and increases in adult protective services benefits.

Table 33 compares the 2003 biennium appropriation to the actual expenditures and appropriation for the 2001 biennium. Table 33 does not include the 2003 biennium pay plan appropriation. The biennium-to-biennium increase is \$67 million, which is \$11 million lower than the difference of the 2003 biennium appropriation compared only to the fiscal 2000 base budget (\$78 million).

Table 33
2001 Biennium Compared to 2003 Biennium*
Senior and Long-Term Care Division

Budget Item/Fund	2001 Biennium	2003 Biennium	Change	Percent of Total
FTE**	130.54	182.54	52.00	
Personal Services	\$11,109,866	\$12,034,879	\$925,013	1.4%
Operating	6,335,654	8,918,163	2,582,509	3.8%
Equipment	92,728	154,248	61,520	0.1%
Grants	11,985,988	12,768,025	782,037	1.2%
Benefits/Claims	302,102,557	365,095,459	62,992,902	93.5%
Debt Service	7,097	8,806	1,709	0.0%
Total Costs	<u>\$331,633,890</u>	<u>\$398,979,580</u>	<u>\$67,345,690</u>	<u>100.0%</u>
General Fund	\$85,430,125	\$90,651,484	\$5,221,359	7.8%
State Special	5,625,195	16,707,541	11,082,346	16.5%
Federal Funds	<u>240,578,570</u>	<u>291,620,555</u>	<u>51,041,985</u>	<u>75.8%</u>
Total Funds	<u>\$331,633,890</u>	<u>\$398,979,580</u>	<u>\$67,345,690</u>	<u>100.0%</u>
Percent Increase			20%	

*The pay plan appropriation for the 2003 biennium is not included.

**2001 biennium FTE are the number funded for fiscal 2001.

Benefit cost increases account for 94 percent of the expansion between the 2001 and 2003 biennia due to caseload growth, annualization of fiscal 2001 provider rate increases, a new Medicaid intergovernmental transfer program for nursing homes, and provider rate and direct care worker wage increases funded in the 2003 biennium. Operating costs rise 4 percent and grants increase a net of 1 percent largely due to a reallocation of \$0.9 million from grant expenditures in the fiscal 2001 biennium to operating costs in the 2003 biennium. Personal services increase 1 percent, due mostly to the addition of a 15-bed special care unit at MVH.

The 2003 biennium increase is funded primarily with federal funds (\$51 million or 76 percent of the total increase). State special revenue rises \$11 million from the 2001 to the 2003 biennium and general fund grows \$5 million.

The remaining 2003 biennium appropriation narrative is based on amounts included in tables that compare the 2003 biennium request to the fiscal 2000

base. As noted previously, \$11 million of the increase between the 2000 base budget and the 2003 biennium budget is due to continuation of fiscal 2001 increases appropriated by the 1999 legislature. Present law adjustments include the incremental increases between fiscal 2000 expenditures and the fiscal 2001 appropriation as well as anticipated changes during the 2003 biennium.

Program Narrative

The 2003 biennium division budget is \$78 million, including \$8 million general fund, higher than the fiscal 2000 base expenditure level. Present law adjustments add \$22 million over the biennium and new proposals add \$56 million.

The reduction in the state match rate for Medicaid benefit costs from fiscal 2000 through fiscal 2003 offsets general fund increases of \$3 million over the 2003 biennium. The total general fund cost of individual present law adjustments is \$3 million higher than reflected in the Program Legislative Budget table because the decrease in the state matching rate was included as a funding adjustment to the adjusted base budget rather than as a present law adjustment for legislative consideration.

Significant Budget Changes

The most significant adjustments approved by the legislature include:

- \$25 million, including \$6.6 million general fund, for Medicaid service caseload and annualization of 2001 biennium provider rate increases to continue current level services
- \$19 million, including \$3.5 million general fund and \$1.7 million state special revenue from interest on the tobacco settlement trust fund, for 2003 biennium direct care worker wage and provider rate increases
- \$19 million for a Medicaid intergovernmental transfer program for county funded nursing homes
- \$11 million for one-time payments for Medicaid nursing services, funded with intergovernmental transfer revenue
- \$2.3 million total funds (\$0.6 million general fund) and 0.5 FTE to expand the Medicaid Community Based Waiver
- \$2 million in federal authority to expand or refinance services funded with state funds
- \$1.5 million federal funds for an increase in the Older Americans Act grant
- \$1.5 million total funds, including \$0.6 million in state special revenue from tobacco taxes, and 18 FTE in fiscal 2003 for a new special care unit, equipment and operating costs for the Montana veterans' homes

- \$1 million, including \$0.3 million of state special revenue from Medicaid lien and estate recoveries, for improvements in nursing home and community services
- \$0.4 million total funds, including \$0.3 million of state special revenue from Medicaid lien and estate recoveries, and 4.0 FTE in fiscal 2003 for adult protective services and social workers and guardianship services
- A funding shift which reduced general fund by \$0.6 million and increased federal Social Services Block Grant funds for adult protective services

Funding

The Senior and Long-Term Care Division is funded primarily by federal funds - about 73 percent for the 2003 biennium. General fund declines from 26 percent of base budget funding to 22.5 percent of the fiscal 2003 legislative appropriation. State special revenue increases from 1.7 percent of fiscal 2000 costs to 4 percent of the fiscal 2003 appropriation.

Table 34
Senior and Long-Term Care Division Funding

Fund Source	Fiscal 2000 Actual	Legislative Appropriation Fiscal 2002	Fiscal 2003	Percent of Total
General Fund	\$41,427,657	\$44,437,725	\$46,213,759	22.5%
Percent of Total Funds	25.9%	22.9%	22.5%	
State Special Revenue				
Intergovernmental Transfer	\$0	\$3,699,460	\$4,272,090	2.1%
Private Ins./Medicaid Reimb.	1,842,743	2,036,178	2,169,635	1.1%
Cigarette Tax Revenue	947,579	1,000,008	1,054,440	0.5%
Tobacco Interest Constitutional Trust	0	703,779	1,015,108	0.5%
Over \$600,000 Lien/Estate	0	323,799	403,044	0.2%
Lien/Estate Recovery	0	10,000	10,000	0.0%
Vets - Interest/Income Lease	0	5,000	5,000	0.0%
Subtotal State Special Revenue	\$2,790,322	\$7,778,224	\$8,929,317	4.4%
Percent of Total Funds	1.7%	4.0%	4.4%	
Federal Funds				
Medicaid Benefits	\$107,587,171	\$131,890,134	\$139,878,249	68.2%
Aging Meals	2,395,708	2,520,100	2,520,545	1.2%
Aging Supplement and Training	1,491,560	2,350,876	2,312,453	1.1%
Vets V-A Reimbursement	1,366,762	1,450,318	1,583,148	0.8%
Medicaid Administration	998,884	1,183,708	1,186,902	0.6%
EMVH V-A Reimbursement	875,075	1,073,009	1,073,009	0.5%
Elderly Feeding	621,641	649,639	649,639	0.3%
Social Services Block Grant	0	300,000	300,000	0.1%
Vets Domiciliary Care	159,491	191,459	191,898	0.1%
Health Info. Counseling	106,650	167,094	168,884	0.1%
Preventive Health	78,806	80,398	80,398	0.0%
Ombudsman Activity	34,146	42,237	42,237	0.0%
Elder Abuse	10,066	23,660	23,660	0.0%
NAPIS Training - 100%	1,966	(82,474)	(43,374)	0.0%
Alzheimer's Demonstration	192,125	(18,560)	(148,060)	-0.1%
Frail Elderly	12,751	(10,275)	(10,356)	0.0%
Subtotal Federal Funds	\$115,932,802	\$141,811,323	\$149,809,232	73.1%
Percent of Total Funds	72.4%	73.1%	73.1%	
Total Funds	\$160,150,781	\$194,027,272	\$204,952,308	100.0%
Increase Above Base		21.2%	28.0%	
Annual Rate of Change from Base		10.07%	8.57%	

General fund pays the state match for Medicaid eligible costs, the majority of protective services for adult and disabled persons, and a portion of aging services administrative and benefits costs.

The largest source of state special revenue - county funds for Medicaid intergovernmental transfer payments to nursing homes - is a new state special revenue source. Under the program, counties can transfer the matching funds to DPHHS to draw down federal Medicaid revenue to increase nursing home rates to the maximum allowable federal limit. If all counties participate and contribute the maximum allowable match of about \$2.4 million, an additional \$6.4 million of federal Medicaid matching funds can be drawn down each year of the biennium. The state will pay the entire \$11 million and counties will retain the county matching funds of \$2.4 million with an additional \$2.4 million in matching funds and return the balance of revenue to the state. The transfer revenue remitted by counties to the state is appropriated to fund additional Medicaid reimbursement increases for nursing homes and health care related provider rate increases. The legislature appropriated \$2 million of the intergovernmental transfer revenue from

county nursing homes each year of the biennium in the mental health Medicaid services administered by the Addictive and Mental Disorders Division.

Private and insurance reimbursements and cigarette tax revenue (11.11 percent of total tax) support the two veterans' homes. There are three new state special revenue funding sources included in the 2003 biennium appropriation: 1) county intergovernmental transfer funds as previously noted; 2) lien and estate revenue collections; and 3) interest from

the tobacco tax settlement trust fund, which was approved by voters in the November 2000 election. Lien and estate revenue supports new adult protective services FTE and guardianship services, while the tobacco trust fund interest income pays part of the state Medicaid match for provider rate increases. Lien and estate recoveries have been appropriated to the Senior and Long-Term Care Division in the two previous biennia in language appropriations to support one-time improvements in Medicaid services and have not been included in base budget costs.

Appropriation by Function and Major Service

Table 35 shows the fiscal 2000 base budget compared to the legislative appropriation by division function and major service. The fiscal 2003 appropriation rises at an annual rate of almost 9 percent above base budget expenditures.

Medicaid Services are the largest component of the budget comprising 92 percent of the division fiscal 2003 request. Individually the remaining division functions comprise less than 5 percent of the total appropriation in fiscal 2003.

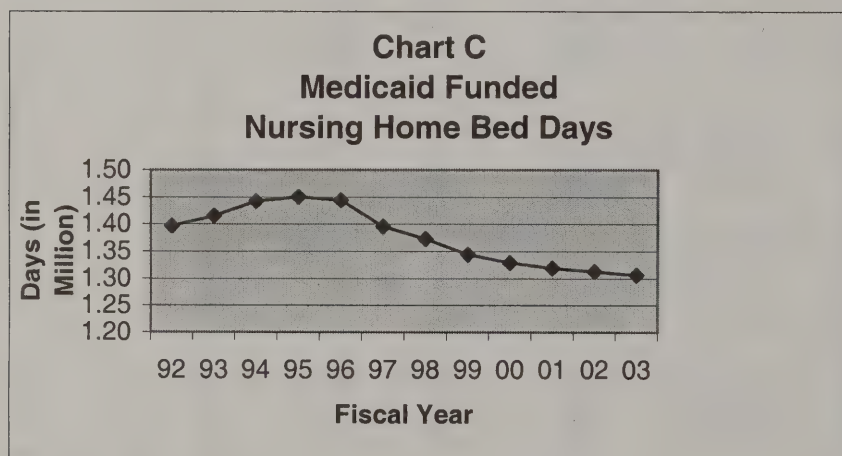
Benefits or payments for services to individuals and grants to local entities are the most significant appropriations for the division. Benefit payments comprise 92 percent of the fiscal 2003 appropriation while grants are 3 percent.

Appropriations for Medicaid benefits (payments to Medicaid providers) are 91 percent of the fiscal 2003 appropriation, leaving 1 percent to cover Medicaid administrative costs. The single largest division expenditure is for nursing homes services, accounting for 62 percent of the total fiscal 2003 budget. The appropriation for nursing home services increases largely due to annualization of fiscal 2001 provider rate increases and the 2003 biennium provider rate increases and intergovernmental transfer program. The program appropriation would have declined from fiscal 2000 base budget expenditures without rate increases, since the number of days of care is estimated to continue declining.

Home based Medicaid services are 13 percent of the fiscal 2003 appropriations, while Medicaid waiver services account for 11 percent. The legislature approved an expansion of the Medicaid waiver services and funding for a 0.5 FTE. The expansion is estimated to provide services to another 125 persons.

Aging grants account for 3 percent of the total fiscal 2003 appropriation. Federal grant funds from the Older Americans Act increase and include a new family care giver support program.

State supplement payments and adult protective services each comprise less than 1 percent of the fiscal 2003 appropriation. Federal pass-through funds for operation of the EMVH were appropriated as operating costs in the 2003 biennium rather than as grant expenditures in the fiscal 2000 base budget.



Nursing Home Services

The legislature implemented several significant reimbursement policies for nursing home services during the 2003 biennium. Additionally, the appropriation for nursing home services was based on the assumption that the days of care would continue to decline. Chart C shows the actual total number of days of care or bed days paid for by the Medicaid program since fiscal year 1992, a few years before bed days began to decline, compared to the estimated trend for the 2001 and 2003 biennia.

Table 36 shows the average Medicaid daily rate, ongoing rate increases, the estimated number of days of care and the one-time payments that could result from the intergovernmental transfer program for county nursing homes. Estimated costs for fiscal 1999 through fiscal 2003 are shown.

Table 36
Estimated Nursing Home Medicaid Rate, Bed Days, and Annual Rate of Change
Fiscal 1999 Through 2003

Medicaid Rate, Bed Days, % Change Legis. Appropriation	Estimated FY99	Estimated FY00	Estimated FY01	Appropriation FY02	FY03
<u>Ongoing Medicaid Rate</u>					
Medicaid Rate*	\$71.68	\$74.26	\$77.30	\$77.30	\$77.30
2003 Biennium Rate Increase				3.53	7.28
Total Average Daily Rate for 2003 Biennium**				\$80.83	\$84.58
Bed Days	1,344,142	1,332,723	1,302,835	1,302,681	1,298,747
Annual Change	-2.1%	-0.8%	-2.2%	0.0%	-0.3%
Compounded Rate of Change		-0.8%	-1.5%	-1.0%	-0.9%
<u>One-Time Payments due to Intergovernmental Transfer Program - Daily Rate Increase***</u>					
New Funds County Affiliated Facilities			\$8.50	\$10.68	\$12.69
Non-county Affiliated Facilities			4.14	5.02	6.07
<u>Total Possible Daily Rate Increase from Ongoing and One-Time Payments</u>					
County Affiliated Nursing Homes			\$8.50	\$14.21	\$19.97
Non-county Nursing Homes			4.14	8.55	13.35

*The Medicaid rate does not include the portion of costs that are paid by nursing home residents, which is estimated to be about \$20.00 per day in the 2001 biennium.

**The total average daily rate for the 2003 biennium is the estimated rate that will be ongoing.

***The one-time payments from the county nursing home intergovernmental transfer program will not necessarily continue in following biennia. The program is subject to federal rule and county participation levels.

The legislature approved three separate appropriations that will increase the rates paid to nursing homes: 1) a provider rate increase estimated to increase average daily rates by at least 4.5 percent annually; 2) an intergovernmental transfer program for county funded nursing homes; and 3) one-time payments to nursing homes using intergovernmental transfer revenue. The average increase that will be granted to all nursing homes is estimated to be \$3.53 per day in fiscal 2002 and \$7.28 per day in fiscal 2003. This rate increase will be ongoing.

Based on the estimated average daily rate and the appropriation, it is estimated that 1.3 million days of care can be funded each year of the biennium. Days of care are expected to remain constant from fiscal 2001 to fiscal 2002 and to decline by 0.3 percent from fiscal 2002 to 2003. During appropriation committee hearings, the legislature based appropriation amounts on an

estimated decline of 0.5 percent annually in the number of bed days from fiscal 2001 through fiscal 2003 and on a daily rate in fiscal 2001 that was \$0.52 lower than that shown in Table 36. However, estimates of nursing home costs in fiscal 2001 revised after the session adjourned coupled with appropriated amounts will fund fewer days of care than anticipated during session and at a higher cost.

The amount of ongoing rate increase shown in Table 36 is not reflective of the increase individual nursing homes will receive. It is an average of the total amount appropriated for rate increases based on the number of days of estimated service.

Rate increases for individual nursing homes will vary due to changes in reimbursement methodology and the intergovernmental transfer program. The 4.5 percent provider rate increase proposal accepted by the legislature changes nursing home reimbursement from a cost-based system to a price based system, where differences in rates are based on patient acuity rather than facility costs. The department began the transition to a price based system in fiscal 2001, so there is more variation in rates paid to nursing homes than will exist once the price system is fully implemented.

The legislature approved the executive request to implement a Medicaid intergovernmental transfer program for county affiliated nursing homes. The program will allow county nursing homes to leverage federal Medicaid funds to increase Medicaid reimbursement levels.

The intergovernmental transfer program may result in one-time payments to nursing homes since its continuation is subject to federal rule, county participation and legislative re-authorization. However, during the 2003 biennium if all county funded nursing homes participate to the maximum extent possible, the intergovernmental transfer program is estimate to generate one-time daily rate increases of nearly \$13 on average in fiscal 2003 for county affiliated nursing homes and an average of slightly more than \$6 per day on average for non-county affiliated nursing homes. The legislature and department anticipated during legislative deliberations that the reimbursement to county funded nursing

homes participating in the intergovernmental transfer program would result in higher rates for county facilities compared to non-county facilities.

Table 37
Actual and Appropriated Montana Veterans' Home Costs

Montana Veterans' Home	Fiscal 2000 Base	Fiscal 2002 Appropriation	Fiscal 2003 Appropriation
FTE	94.29	103.29	112.29
Direct Care Staff	\$2,609,258	\$2,955,578	\$3,270,777
Non-direct Care Staff	<u>1,511,168</u>	<u>1,447,875</u>	<u>1,451,054</u>
Total Cost/Appropriation	<u>\$4,120,426</u>	<u>\$4,403,453</u>	<u>\$4,721,831</u>
Average Daily Population	107	114	122
Annual Costs Per Person	\$38,509	\$38,763	\$38,704
Annual Days of Care	39,055	41,464	44,530
Average Cost Per Day of Care	\$106	\$106	\$106
Percent Increase		0.7%	-0.2%

It is not possible to calculate a meaningful average daily cost for the Eastern Montana Veterans' Home because the appropriation in HB 2 supports only part of the facility cost. Private and insurance payments for the EMVH are paid directly to the facility. Only the federal Veteran's Administration pass through funds are appropriated in HB 2.

Montana Veterans' Home

Table 37 shows the base expenditures and 2003 biennium appropriation for the MVH. The average daily population, number of staff and annual operating costs are expected to increase from fiscal 2000 through fiscal 2003 due to the addition of a 15-bed special care unit. The average daily cost declines between fiscal 2000 and fiscal 2003 since the estimated daily population increases.

It is not possible to estimate a meaningful average daily cost for EMVH because only pass through federal funds are appropriated for the facility in HB 2. Other operating revenues including private, insurance and Medicaid payments are received directly by the facility.

The following two tables show all adjustments approved by the legislature for this division. Each adjustment is discussed in more detail in

the following sub-program narratives: Medicaid Services; Veterans' Services; Aging Services; Division Administration; and Adult Protective Services.

Present Law Adjustments										
Fiscal 2002					Fiscal 2003					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				211,867					242,885	
Vacancy Savings				(152,643)					(153,574)	
Inflation/Deflation				9,840					10,104	
Fixed Costs				2,078					3,226	
Total Statewide Present Law Adjustments				\$71,142					\$102,641	
DP 24 - MVH Operating Expense Adjustments										
0.00	0	12,002	0	12,002	0.00	0	12,002	0	12,002	
DP 25 - MVH Special Care Unit										
9.00	0	207,352	129,222	336,574	18.00	0	347,475	295,460	642,935	
DP 34 - Home Based Caseload										
0.00	1,428,735	0	3,839,463	5,268,198	0.00	1,783,841	0	4,827,874	6,611,715	
DP 35 - Aging Provider Rate and Direct Care Increases										
0.00	223,752	0	0	223,752	0.00	223,752	0	0	223,752	
DP 36 - Nursing Home Caseload Increase										
0.00	580,131	0	1,677,580	2,257,711	0.00	434,726	0	1,505,475	1,940,201	
DP 37 - Waiver Caseload										
0.00	1,210,451	0	3,252,862	4,463,313	0.00	1,204,202	0	3,259,111	4,463,313	
DP 77 - Adult Protective Services Emergency Support										
0.00	75,887	0	100,206	176,093	0.00	75,404	0	100,689	176,093	
DP 81 - State Supplemental Caseload Increase										
0.00	95,968	0	0	95,968	0.00	161,256	0	0	161,256	
DP 116 - MVH Equipment										
0.00	0	16,918	0	16,918	0.00	0	16,918	0	16,918	
DP 141 - EMVH Operating Expenses and Equipment										
0.00	0	11,065	197,934	208,999	0.00	0	11,065	197,934	208,999	
DP 145 - Leased Cars For APS Field Staff										
0.00	3,589	0	111	3,700	0.00	3,589	0	111	3,700	
DP 146 - Medicaid Field Staff Office Rent Costs										
0.00	2,806	0	2,806	5,612	0.00	4,532	0	4,532	9,064	
DP 148 - Institutions										
0.00	0	0	(2,660,367)	(2,660,367)	0.00	0	0	(2,399,861)	(2,399,861)	
DP 696 - Data Network Fixed Cost Reduction										
0.00	(52)	(28)	(28)	(108)	0.00	(52)	(28)	(28)	(108)	
DP 698 - Rent Reduction - Use of Capitol Land Grant										
0.00	(2,302)	(634)	(3,170)	(6,106)	0.00	(2,310)	(636)	(3,182)	(6,128)	
DP 699 - Vacancy Savings at 4 Percent										
0.00	(25,877)	(41,996)	(10,269)	(78,142)	0.00	(27,142)	(43,114)	(10,350)	(80,606)	
Total Other Present Law Adjustments										
9.00	\$3,593,088	\$204,679	\$6,526,350	\$10,324,117	18.00	\$3,861,798	\$343,682	\$7,777,765	\$11,983,245	
Grand Total All Present Law Adjustments				\$10,395,259					\$12,085,886	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 115 - Guardianship, APS Staff, Prevention and Education										
22	2.00	0	171,079	4,000	175,079	4.00	0	251,164	7,170	258,334
DP 120 - Personal Assistance Direct Care Wage Increase										
22	0.00	401,931	0	1,080,114	1,482,045	0.00	638,676	0	1,728,544	2,367,220
DP 121 - Nursing Home Rate Stabilization										
22	0.00	544,641	703,779	3,354,898	4,603,318	0.00	1,537,430	1,015,108	6,908,317	9,460,855
DP 129 - Provider Rate Increases										
22	0.00	141,917	0	221,761	363,678	0.00	284,730	0	454,173	738,903
DP 140 - Waiver Expansion										
22	0.50	185,966	0	475,777	661,743	0.50	444,780	0	1,181,525	1,626,305
DP 142 - Intergovernmental Transfer - County Nursing Homes										
22	0.00	0	2,391,456	6,426,597	8,818,053	0.00	0	2,690,204	7,280,900	9,971,104
DP 147 - Federal Spending Authority										
22	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 222 - Older Americans Act Grant Increase										
22	0.00	0	0	806,440	806,440	0.00	0	0	676,940	676,940
DP 402 - One Time Payments to Nursing Homes										
22	0.00	0	1,350,000	3,627,876	4,977,876	0.00	0	1,625,000	4,397,980	6,022,980
DP 407 - Title XX Funding Shift										
22	0.00	(300,000)	0	300,000	0	0.00	(300,000)	0	300,000	0
DP 411 - Nursing Home and Community Services Improvements										
22	0.00	0	162,720	437,280	600,000	0.00	0	161,880	438,120	600,000
DP 623 - Shift Funding to Child Support Enforcement - DPHHS										
22	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
Total	2.50	\$967,455	\$4,779,034	\$17,734,743	\$23,481,232	4.50	\$2,598,616	\$5,743,356	\$24,373,669	\$32,715,641

New Proposals

New proposals are appropriations for new or expanded services above the cost of providing the level of service authorized by the previous legislature. Changes in funding for services are usually considered new proposals as well. Each new proposal will be discussed in the following sub-program narratives that correspond to major division functions. Some new proposals, such as provider rate increases, affect more than one sub-program.

Medicaid Services

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	17.25	0.00	0.50	17.75	0.00	0.50	17.75	17.75
Personal Services	741,306	9,556	19,805	770,667	12,853	19,868	774,027	1,544,694
Operating Expenses	739,407	338,382	22,500	1,100,289	338,630	22,500	1,100,537	2,200,826
Equipment	0	0	2,500	2,500	0	0	0	2,500
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	144,823,425	8,972,830	22,402,512	176,198,767	10,259,343	31,628,080	186,710,848	362,909,615
Transfers	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$146,304,138	\$9,320,768	\$22,447,317	\$178,072,223	\$10,610,826	\$31,670,448	\$188,585,412	\$366,657,635
General Fund	37,853,981	1,570,851	1,215,059	40,639,891	1,641,199	2,788,697	42,283,877	82,923,768
State/Other Special	0	0	4,607,955	4,607,955	0	5,492,192	5,492,192	10,100,147
Federal Special	108,450,157	7,749,917	16,624,303	132,824,377	8,969,627	23,389,559	140,809,343	273,633,720
Total Funds	\$146,304,138	\$9,320,768	\$22,447,317	\$178,072,223	\$10,610,826	\$31,670,448	\$188,585,412	\$366,657,635

Medicaid Services includes reimbursements for Medicaid eligible services provided by state institutions and three types of health services administered through contracts with local providers - nursing home services, home-based entitlement services, and community services limited by a waiver of federal Medicaid regulations. The present law adjustment for each of these services is due to increases in the number of persons eligible for services and annualization of fiscal 2001 rate increases and service expansions approved by the 1999 legislature.

New proposals include funds for provider rate increases and personal assistance worker wage increases as well as expansion of the Medicaid community based waiver services. The legislature also appropriated funds for a Medicaid intergovernmental transfer program for county funded nursing homes and used some of the revenue generated from the intergovernmental transfer for one-time payments to nursing homes based on the number of Medicaid services provided.

Medicaid Services is funded with general fund, state special revenue from the interest on the tobacco settlement trust fund and Medicaid lien and estate recoveries, and federal Medicaid matching funds. Medicaid Services comprise 92 percent of the Senior and Long-Term Care Division 2003 biennium appropriation. Table 35 compares Medicaid Services and individual Medicaid benefit appropriations to the total division appropriation.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				40,952						44,386
Vacancy Savings				(21,450)						(21,553)
Inflation/Deflation				235						483
Fixed Costs				(17,878)						(17,878)
Total Statewide Present Law Adjustments				\$1,859						\$5,438
DP 34 - Home Based Caseload										
0.00	1,428,735	0	3,839,463	5,268,198	0.00	1,783,841	0	4,827,874	6,611,715	
DP 36 - Nursing Home Caseload Increase										
0.00	580,131	0	1,677,580	2,257,711	0.00	434,726	0	1,505,475	1,940,201	
DP 37 - Waiver Caseload										
0.00	1,210,451	0	3,252,862	4,463,313	0.00	1,204,202	0	3,259,111	4,463,313	
DP 148 - Institutions										
0.00	0	0	(2,660,367)	(2,660,367)	0.00	0	0	(2,399,861)	(2,399,861)	
DP 699 - Vacancy Savings at 4 Percent										
0.00	(4,973)	0	(4,973)	(9,946)	0.00	(4,990)	0	(4,990)	(9,980)	
Total Other Present Law Adjustments										
0.00	\$3,214,344	\$0	\$6,104,565	\$9,318,909	0.00	\$3,417,779	\$0	\$7,187,609	\$10,605,388	
Grand Total All Present Law Adjustments				\$9,320,768						\$10,610,826

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 34 - Home Based Caseload - The legislature approved \$12 million over the biennium, including \$3.2 million general fund, for the Medicaid Home Health, Personal Assistance, and Hospice entitlement programs, to adjust for projected caseload growth and 1 percent provider rate and 3 percent direct care wage increases approved by the 1999 legislature and to continue a utilization review and prior authorization contract for personal assistance services. Caseload growth of about 5 percent per year is projected for the coming biennium.

DP 36 - Nursing Home Caseload Increase - The legislature appropriated \$4 million for the biennium, including \$1 million general fund, for the Medicaid nursing home program to adjust for federal match rate changes, projected caseload growth, and to annualize the 1 percent provider rate increase and 3 percent direct care wage increase approved in fiscal 2001. The legislature adopted caseload estimates based on a continuing decline in the number of Medicaid funded nursing bed days, expecting a 0.5 percent annual reduction from fiscal 2001 through fiscal 2003.

DP 37 - Waiver Caseload - The legislature added \$9 million for the biennium, including \$2 million general fund, to adjust for Medicaid match rate changes, and fund the fiscal 2001 provider rate increase, direct care wage increase, and expanded services to persons from the waiting list that were appropriated to the Medicaid Community Waiver program for fiscal 2001. In fiscal 2001, consistent with the direction of the Olmstead Supreme Court decision, the division developed services for 28 additional nursing home residents on the waiver waiting list through a transfer of \$0.5 million in savings from the Medicaid home health program.

DP 148 - Institutions - The legislature approved the executive request to reduce federal funds by \$5 million over the biennium due to an accounting error, which overstates base budget expenditures. The institutional appropriation for the 2003 biennium is about \$11 million per year in federal funds. It pays the federal share of projected Medicaid nursing home services reimbursement to the Montana Developmental Center, Eastmont Human Services Center and the Montana Veterans' Home. The required state matching funds are paid from each facility's appropriation.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Sub Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 120 - Personal Assistance Direct Care Wage Increase										
01	0.00	401,931	0	1,080,114	1,482,045	0.00	638,676	0	1,728,544	2,367,220
DP 121 - Nursing Home Rate Stabilization										
01	0.00	544,641	703,779	3,354,898	4,603,318	0.00	1,537,430	1,015,108	6,908,317	9,460,855
DP 129 - Provider Rate Increases										
01	0.00	82,521	0	221,761	304,282	0.00	167,811	0	454,173	621,984
DP 140 - Waiver Expansion										
01	0.50	185,966	0	475,777	661,743	0.50	444,780	0	1,181,525	1,626,305
DP 142 - Intergovernmental Transfer - County Nursing Homes										
01	0.00	0	2,391,456	6,426,597	8,818,053	0.00	0	2,690,204	7,280,900	9,971,104
DP 147 - Federal Spending Authority										
01	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 402 - One-Time Payments to Nursing Homes										
01	0.00	0	1,350,000	3,627,876	4,977,876	0.00	0	1,625,000	4,397,980	6,022,980
DP 411 - Nursing Home and Community Services Improvements										
01	0.00	0	162,720	437,280	600,000	0.00	0	161,880	438,120	600,000
Total	0.50	\$1,215,059	\$4,607,955	\$16,624,303	\$22,447,317	0.50	\$2,788,697	\$5,492,192	\$23,389,559	\$31,670,448

New Proposals

DP 120 - Personal Assistance Direct Care Wage - The legislature appropriated a total of \$3.2 million for the biennium, including \$0.9 million in general fund, to provide a 25 cent per hour wage increase to personal care attendants working in the Medicaid Waiver and Personal Assistance programs. The legislature added \$380,000 general fund and matching federal funds above the executive request, deriving the \$200,000 of the general fund increase from other savings within DPHHS.

The appropriation is estimated to provide wage increases on average of \$0.45 to \$0.50 per hour during fiscal 2002 with an additional increase of \$0.25 per hour in fiscal 2003. This appropriation also includes a wage increase for the 18.33 percent of waiver expenditures that pay for personal care attendant services that are not available under the regular Personal Assistance program.

DP 121 - Nursing Home Rate Stabilization - The legislature added \$14 million for the biennium, including \$2.1 million general fund and \$1.7 million state special revenue of tobacco settlement trust fund income, to provide a minimum 4.5 percent annual rate increase for nursing homes over the 2003 biennium. The legislature approved less funding for nursing home caseloads during the 2003 biennium, but did not lower the amount of the executive request for nursing home rate increases. The appropriation will also be used to: 1) introduce stability in the nursing home rate; and 2) allow DPHHS to transition to a price-based system, where rate differentials among facilities are based on patient acuity.

The current nursing home payment methodology allows significant variability in rates, both among facilities and from one year to the next. The executive began implementing a price-based reimbursement system for Medicaid funded nursing homes in fiscal 2001 by establishing a median rate for nursing home reimbursement and basing rate changes for individual nursing homes in relation to the median price.

DP 129 - Provider Rate Increases - The legislature appropriated \$1.2 million for the biennium, including \$0.5 million in general fund, to provide a 1.5 percent annual rate increase for Medicaid, Waiver, Home Health and Hospice, and the aging services programs, excluding Medicaid personal assistance services. The rate increase for personal care assistants is appropriated in new proposal 120. A portion of this rate increase is allocated to Medicaid programs (\$0.9 million total funds over the biennium) and a portion is allocated to aging programs (\$0.2 million general fund over the biennium).

DP 140 - Waiver Expansion - The legislature added \$2.3 million for the biennium, including \$0.6 million general fund, to provide Medicaid Waiver services to an additional 125 people, bring the estimated total to be served to 1,385 in fiscal 2003. The Medicaid Waiver provides payment for a variety of community services, including assisted living, to persons eligible for Medicaid reimbursed nursing facility care. Because this program is not a Medicaid entitlement, there are about 260 eligible people on a waiting list for services. The proposed expansion will enable the division to address increasing demand, target the people most at risk of placement in nursing facilities and manage the growth of the community-based option. This appropriation also funds a 0.5 FTE field staff position to handle increasing caseload.

DP 142 - Intergovernmental Transfer - County Nursing Homes - The legislature appropriated \$19 million total funds over the biennium for an intergovernmental transfer program for county nursing homes. Counties provide the matching funds to draw down federal Medicaid funds to reimburse Medicaid nursing services at the highest payment limit allowed by federal rule. The state will return the county matching funds and an equal amount of federal Medicaid revenue. The balance of the Medicaid revenue (potentially as high as \$11 million over the biennium) will be used to support Medicaid services and provider rate increases for health care services (see DP 402).

DP 147 - Federal Spending Authority - The legislature added \$2 million federal funds over the biennium that is unrelated to a specific funding source. The funds could be used for a variety of activities, such as federal Medicaid matching authority to offset part of the cost of services that are funded fully from state sources or for a new federal grant. The legislature added language to HB 2 specifying that the division could spend the additional federal authority as long as it did not commit the state to additional general fund expenditures beyond the amount appropriated for the 2003 biennium by the legislature to the division.

DP 402 - One-Time Payments to Nursing Homes - The legislature allocated a portion of the intergovernmental transfer payment revenue (see DP 142) to fund one-time payments to nursing homes based on the number of Medicaid days of nursing care services.

DP 411 - Nursing Home and Community Services - The legislature appropriated \$1.2 million total funds, including \$0.3 million lien and estate state special revenue, for one-time improvements in nursing care and community waiver services. In previous biennia, the legislature has made such appropriations through language in HB 2.

Language

Items [Health Policy and Services Division], [Senior and Long-Term Care Division], and [Addictive and Mental Disorders Division] include appropriations of state special revenue for provider rate increases funded from the interest income on the tobacco settlement trust fund provided for in Article XII, Section 4, of the Montana Constitution. If the interest income on the tobacco settlement trust fund provided for in Article XII, Section 4, of the Montana Constitution is insufficient to fully fund the state special revenue appropriations in items [Health Policy and Services Division], [Senior and Long-Term Care Division], and [Addictive and Mental Disorders Division], the legislature intends that the department find alternative funding sources to fully fund the provider rate increases. Alternative sources may include but are not limited to enhanced Medicaid intergovernmental transfer programs and transfers of general fund money from other appropriations.

The department shall distribute funds in item [personal assistance wage increases] in a way that provides reasonable assurance that the funds are used solely for direct care wage and benefit increases. Not all providers or types of direct care workers must receive the same rate increase for the biennium. Funds appropriated in items [personal assistance wage increases] may be used only for direct care worker wage increases. Funds in items [personal assistance wage increases] may not be used to fund other programs. In the event that the department finds it necessary to institute program reductions, it is the intent of the legislature that funds in items [personal assistance wage increases] be the last item eliminated.

The Senior and Long-Term Care Division is authorized to pursue up to \$2 million in federal special revenue in item [federal authority] over the biennium to enhance or improve division services or programs. This additional federal special

revenue may be expended by the division on services as long as those actions do not require or commit the state to additional general fund expenditures beyond the amount appropriated for the 2003 biennium by the legislature to the division in [this act].

Funds in item [one-time payments to nursing homes] may be used only to make one-time payments to nursing homes based on the number of Medicaid services provided. State special revenue in item [one-time payments to nursing homes] may be expended only after the Office of Budget and Program Planning has certified that the department has received \$2 million each year from counties participating in the intergovernmental transfer program for nursing homes.

Veterans' Services

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	95.29	9.00	0.00	104.29	18.00	0.00	113.29	113.29
Personal Services	2,806,816	224,157	0	3,030,973	488,002	0	3,294,818	6,325,791
Operating Expenses	1,356,236	1,137,087	0	2,493,323	1,192,326	0	2,548,562	5,041,885
Equipment	39,141	27,983	0	67,124	27,983	0	67,124	134,248
Grants	875,075	(875,075)	0	0	(875,075)	0	0	0
Debt Service	2,698	0	0	2,698	0	0	2,698	5,396
Total Costs	\$5,079,966	\$514,152	\$0	\$5,594,118	\$833,236	\$0	\$5,913,202	\$11,507,320
State/Other Special	2,678,638	200,694	0	2,879,332	386,509	0	3,065,147	5,944,479
Federal Special	2,401,328	313,458	0	2,714,786	446,727	0	2,848,055	5,562,841
Total Funds	\$5,079,966	\$514,152	\$0	\$5,594,118	\$833,236	\$0	\$5,913,202	\$11,507,320

Veterans' Services accounts for about 3 percent of the total division budget and includes the two veterans' homes. The 2003 biennium appropriation increases are due primarily present law adjustments for a new 15-bed special care unit and other operating and equipment costs. There are no new proposals for Veterans' Services

The homes are funded with a combination of private payments, state special cigarette tax revenue, and federal funds from the Veterans' Administration. Veterans' Services receive 11.11 percent of cigarette tax revenue (Section 16-11-119(1), MCA). In addition to appropriations for operating costs for the veterans' homes in HB 2, building projects funded in the Long-Range Building program are also supported from cigarette taxes allocated to Veterans' Services. Table 35 compares Veterans' Services appropriations to the total division appropriation.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				51,975					67,473
Vacancy Savings				(74,931)					(75,396)
Inflation/Deflation				8,480					6,826
Fixed Costs				(5,383)					(4,929)
Total Statewide Present Law Adjustments				(\$19,859)					(\$6,026)
DP 24 - MVH Operating Expense Adjustments									
0.00	0	12,002	0	12,002	0.00	0	12,002	0	12,002
DP 25 - MVH Special Care Unit									
9.00	0	207,352	129,222	336,574	18.00	0	347,475	295,460	642,935
DP 116 - MVH Equipment									
0.00	0	16,918	0	16,918	0.00	0	16,918	0	16,918
DP 141 - EMVH Operating Expenses and Equipment									
0.00	0	11,065	197,934	208,999	0.00	0	11,065	197,934	208,999
DP 699 - Vacancy Savings at 4 Percent									
0.00	0	(40,482)	0	(40,482)	0.00	0	(41,592)	0	(41,592)
Total Other Present Law Adjustments									
9.00	\$0	\$206,855	\$327,156	\$534,011	18.00	\$0	\$345,868	\$493,394	\$839,262
Grand Total All Present Law Adjustments				\$514,152					\$833,236

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 24 - MVH Operating Expense Adjustments - The legislature approved \$24,004 in state special revenue over the biennium for personal services costs and laundry and grounds maintenance expenses at the veterans' nursing homes.

DP 25 - MVH Special Care Unit - The 1999 legislature approved the construction of a 15-bed special care unit at the Montana Veterans' Home in Columbia Falls to provide services to residents with various forms of dementia. The facility is scheduled to begin operation in January of 2002. This appropriation funds the operating costs and staff for the new unit at a biennial cost of \$979,509, including 18 FTE and \$146,065 of cigarette tax state special revenue.

DP 116 - MVH Equipment - This legislature appropriated about \$34,000 state special revenue over the biennium to maintain funding for equipment for the Montana Veterans' Home. Equipment purchases include a whirlpool, electric beds, hydraulic bath chairs, an EKG machine, a sara lift, and a wheelchair accessible van. A private donation of \$17,500 is anticipated to pay for half of the cost of the wheelchair van.

DP 141 - EMVH Operating Expenses and Equipment - The legislature appropriated \$0.4 million over the biennium for operating costs and equipment at the Eastern Montana Veterans' Home. Federal funds support the majority of the increase. Anticipated equipment purchases include a whirlpool tub, electric beds, dining and activity tables, geri chairs, a sara lift, and replacement mattresses.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

AGING SERVICES

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	8.71	0.00	0.00	8.71	0.00	0.00	8.71	8.71
Personal Services	400,204	(21,749)	0	378,455	(19,314)	0	380,890	759,345
Operating Expenses	247,352	9,488	117,302	374,142	19,832	78,202	345,386	719,528
Grants	5,368,165	223,752	758,534	6,350,451	223,752	725,657	6,317,574	12,668,025
Benefits & Claims	803,000	75,953	0	878,953	131,321	0	934,321	1,813,274
Total Costs	\$6,818,721	\$287,444	\$875,836	\$7,982,001	\$355,591	\$803,859	\$7,978,171	\$15,960,172
General Fund	1,896,886	318,118	59,396	2,274,400	383,630	116,919	2,397,435	4,671,835
State/Other Special	0	0	10,000	10,000	0	10,000	10,000	20,000
Federal Special	4,921,835	(30,674)	806,440	5,697,601	(28,039)	676,940	5,570,736	11,268,337
Total Funds	\$6,818,721	\$287,444	\$875,836	\$7,982,001	\$355,591	\$803,859	\$7,978,171	\$15,960,172

Aging Services administers funding from the Older Americans Act, which supports contracts with Area Agencies on Aging to provide meals, transportation, public education, information and assistance, and other services to older Montanans.

2003 biennium appropriations for Aging Services increases due to annualization of 2001 biennium provider rate increases, state supplement caseload growth, stipend increases and processing fee increases, 2003 biennium provider rate increases, and increases in federal Older Americans Act grant funds.

Aging Services is primarily funded with federal grant funds from the Older Americans Act and some federal Medicaid administrative matching funds. State special revenue is from Medicaid lien and estate recoveries and funds guardianship services for older adults at risk of abuse and neglect. General fund supports some of the required state match for federal funds and in recent biennia has funded provider rate increases since federal funds have been capped. Aging services comprise 4 percent of the total division budget. Table 35 compares Aging Services to the total division appropriation.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					(5,980)					(3,443)
Vacancy Savings					(10,901)					(10,978)
Inflation/Deflation					(234)					190
Fixed Costs					(10,293)					(10,293)
Total Statewide Present Law Adjustments					(\$27,408)	(\$24,524)				
DP 35 - Aging Provider Rate and Direct Care Increases	0.00	223,752	0	0	223,752	0.00	223,752	0	0	223,752
DP 81 - State Supplemental Caseload Increase	0.00	95,968	0	0	95,968	0.00	161,256	0	0	161,256
DP 699 - Vacancy Savings at 4 Percent	0.00	(1,217)	0	(3,651)	(4,868)	0.00	(1,223)	0	(3,670)	(4,893)
Total Other Present Law Adjustments										
	0.00	\$318,503	\$0	(\$3,651)	\$314,852	0.00	\$383,785	\$0	(\$3,670)	\$380,115
Grand Total All Present Law Adjustments					\$287,444	\$355,591				

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 35 - Aging Provider Rate and Direct Care Increase - The legislature added \$0.4 million general fund for the biennium to annualize the fiscal 2001 direct care worker wage increase and provider rate increase authorized by the 1999 legislature for aging services programs.

DP 81 - State Supplemental Caseload Increase - The legislature appropriated \$257,224 general fund over the biennium for projected caseload growth in the state supplement program in fiscal years 2001 through 2003 and changes in contract administrative costs. The state supplement payment is a state funded payment that "supplements" the federal Supplemental Security Income (SSI) payments to low-income persons residing in certain licensed facilities, primarily developmental disability group homes. The average cost per month per recipient is \$83. In addition, the state contracts with the Social Security Administration to process and add the state supplement payment to appropriate social security checks at an estimated cost of \$8.50 per person per month in fiscal 2002 and \$9.00 in fiscal 2003.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 115 - Guardianship, APS Staff, Prevention and Education										
03	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
DP 129 - Provider Rate Increases										
03	0.00	59,396	0	0	59,396	0.00	116,919	0	0	116,919
DP 222 - Older Americans Act Grant Increase										
03	0.00	0	0	806,440	806,440	0.00	0	0	676,940	676,940
Total	0.00	\$59,396	\$10,000	\$806,440	\$875,836	0.00	\$116,919	\$10,000	\$676,940	\$803,859

New Proposals

DP 115 - Guardianship, APS Staff, Prevention and Education - The legislature appropriated \$0.4 million over the biennium, primarily from state special revenue from lien and estate proceeds, to fund guardianship services in the Aging program and new adult protective services staff. The legislature appropriated \$0.4 million and funded 4.0 FTE in the Adult Protective Services program and \$20,000 in contracted support for guardianship services in the Aging Program. FTE were reduced by 2.5 from the original executive proposal.

DP 129 - Provider Rate Increases - The legislature appropriated \$1.2 million for the biennium, including \$0.5 million in general fund, to provide a 1.5 percent annual rate increase for Medicaid, Waiver, Home Health and Hospice, and the aging services programs, excluding Medicaid personal assistance services. The rate increase for personal care assistants is appropriated in new proposal DP 120. A portion of this rate increase is allocated to Medicaid programs (\$0.9 million total funds over the biennium) and a portion is allocated to aging programs (\$0.2 general fund over the biennium).

DP 222 - Older Americans Act Grant Increase - The legislature appropriated \$1.6 million in federal authority over the biennium due to an increase in the federal Older Americans Act grant. The request includes increased funding for existing services such as senior centers, meals on wheels, and transportation. Funds are also included for a new Family Caregiver Support program to assist family caregivers by providing information about services, assistance with locating services, training, respite care, and other support services to assist them in caring for their relative. Existing state and local funds will be used to meet the state match requirement for the grant. The legislature added language to HB 2 to require that meals programs are funded prior to other priorities.

Language

The department shall require that Area Agencies on Aging provide a written assessment of the need for increased funding in their nutrition programs prior to expending the additional Title III of the Older Americans Act of 1965 grant funds appropriated in HB 2.

DIVISION ADMINISTRATION

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	6.00	0.00	0.00	6.00	0.00	0.00	6.00	6.00
Personal Services	294,313	(1,042)	0	293,271	913	0	295,226	588,497
Operating Expenses	149,383	37,269	(7,000)	179,652	42,506	(7,000)	184,889	364,541
Benefits & Claims	(6,424)	0	0	(6,424)	0	0	(6,424)	(12,848)
Total Costs	\$437,272	\$36,227	(\$7,000)	\$466,499	\$43,419	(\$7,000)	\$473,691	\$940,190
General Fund	210,697	18,869	(7,000)	222,566	22,404	(7,000)	226,101	448,667
State/Other Special	111,684	8,174	0	119,858	9,130	0	120,814	240,672
Federal Special	114,891	9,184	0	124,075	11,885	0	126,776	250,851
Total Funds	\$437,272	\$36,227	(\$7,000)	\$466,499	\$43,419	(\$7,000)	\$473,691	\$940,190

Division administration oversees administration and management of the Senior and Long-Term Care Division. Division administrative costs are less than 1 percent of the total biennial budget request. Table 35 compares appropriations for Division Administration to the total division appropriation.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					11,178					13,215
Vacancy Savings					(8,528)					(8,589)
Inflation/Deflation					1,311					2,424
Fixed Costs					36,560					37,254
Total Statewide Present Law Adjustments					\$40,521	\$44,304				
DP 146 - Medicaid Field Staff Office Rent Costs	0.00	2,806	0	2,806	5,612	0.00	4,532	0	4,532	9,064
DP 696 - Data Network Fixed Cost Reduction	0.00	(52)	(28)	(28)	(108)	0.00	(52)	(28)	(28)	(108)
DP 698 - Rent Reduction - Use of Capitol Land Grant Funds	0.00	(2,302)	(634)	(3,170)	(6,106)	0.00	(2,310)	(636)	(3,182)	(6,128)
DP 699 - Vacancy Savings at 4 Percent	0.00	(1,107)	(1,514)	(1,071)	(3,692)	0.00	(1,114)	(1,522)	(1,077)	(3,713)
Total Other Present Law Adjustments										
	0.00	(\$655)	(\$2,176)	(\$1,463)	(\$4,294)	0.00	\$1,056	(\$2,186)	\$245	(\$885)
Grand Total All Present Law Adjustments					\$36,227	\$43,419				

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 146 - Medicaid Field Staff Office Rent Costs - The legislature approved the executive request for \$14,676 total funds (\$7,338 general fund), for anticipated increases in lease contracts for Medicaid Regional Program Officers located around the state. Current contracts reflect an annual increase of 15 percent for these offices. This request is funded from the general fund (50 percent) and from Medicaid administration funding (50 percent).

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by

the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant Funds- The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex. .

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals		Fiscal 2002				Fiscal 2003				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 623 - Shift Funding to Child Support Enforcement - DPHHS										
04	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
Total	0.00	(\$7,000)	\$0	\$0	(\$7,000)	0.00	(\$7,000)	\$0	\$0	(\$7,000)

New Proposals

DP 623 - Shift Funding to Child Support Enforcement - DPHHS - The legislature approved a plan submitted by the department that reallocates \$250,000 general fund from various divisions to the Child Support Enforcement Division. The general fund shift partially reinstates a reduction in FTE in the Child Support Enforcement Division that was approved by the legislature.

Language

The department shall post on the Senior and Long-Term Care Division website the staffing levels provided in Montana nursing facilities.

ADULT PROTECTIVE SERVICES

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	32.79	0.00	2.00	34.79	0.00	4.00	36.79	36.79
Personal Services	1,238,933	57,755	75,079	1,371,767	63,768	142,084	1,444,785	2,816,552
Operating Expenses	253,430	2,820	30,000	286,250	2,953	48,750	305,133	591,383
Equipment	0	0	10,000	10,000	0	7,500	7,500	17,500
Grants	0	0	50,000	50,000	0	50,000	50,000	100,000
Benefits & Claims	16,616	176,093	0	192,709	176,093	0	192,709	385,418
Debt Service	1,705	0	0	1,705	0	0	1,705	3,410
Total Costs	\$1,510,684	\$236,668	\$165,079	\$1,912,431	\$242,814	\$248,334	\$2,001,832	\$3,914,263
General Fund	1,466,093	134,775	(300,000)	1,300,868	140,253	(300,000)	1,306,346	2,607,214
State/Other Special	0	0	161,079	161,079	0	241,164	241,164	402,243
Federal Special	44,591	101,893	304,000	450,484	102,561	307,170	454,322	904,806
Total Funds	\$1,510,684	\$236,668	\$165,079	\$1,912,431	\$242,814	\$248,334	\$2,001,832	\$3,914,263

The program to provide protective services for adults age 60 or older and disabled individuals age 18 or older was transferred from the Child and Family Services Division to the Senior and Long-Term Care Division in fiscal 2000. The protective services function includes investigation of allegations of abuse and neglect. When allegations are substantiated, adult protective services workers assist victims of abuse and neglect to access services.

2003 biennium appropriation increases are due primarily to the addition of 4.0 new adult protective services FTE and annualization of protective services appropriation increases in fiscal 2001. 2003 biennium general fund appropriations show a net reduction from base budget expenditures due a funding shift, which moved \$300,000 general fund to the Disability Services Division with a corresponding transfer of \$300,000 of federal Title XX Block Grant funds.

The adult protective services function is funded predominately from the general fund. State special revenue includes Medicaid lien and estate recoveries. Federal funds include \$300,000 of federal Title XX grant each year and Medicaid matching funds. The protective services function is 1 percent of the division appropriation. Table 35 compares Adult Protective Services appropriations to the total division appropriation.

Present Law Adjustments									
Fiscal 2002					Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				113,742					121,254
Vacancy Savings				(36,833)					(37,058)
Inflation/Deflation				48					181
Fixed Costs				(928)					(928)
Total Statewide Present Law Adjustments				\$76,029					\$83,449
DP 77 - Adult Protective Services Emergency Support									
0.00	75,887	0	100,206	176,093	0.00	75,404	0	100,689	176,093
DP 145 - Leased Cars for APS Field Staff									
0.00	3,589	0	111	3,700	0.00	3,589	0	111	3,700
DP 699 - Vacancy Savings at 4 Percent									
0.00	(18,580)	0	(574)	(19,154)	0.00	(19,815)	0	(613)	(20,428)
Total Other Present Law Adjustments									
0.00	\$60,896	\$0	\$99,743	\$160,639	0.00	\$59,178	\$0	\$100,187	\$159,365
Grand Total All Present Law Adjustments				\$236,668					\$242,814

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 77 - Adult Protective Services Emergency Support - The legislature appropriated \$352,186, including \$151,291 general fund, for the biennium to raise the level of funding to the amount appropriated in fiscal 2001 for protective emergency and support services for adults at risk of abuse and neglect. The appropriation for fiscal 2000 was \$50,000 general fund and \$50,000 federal funds, which was increased to \$100,000 general fund and \$100,000 federal funds in fiscal 2001. Base expenditures were mostly from the general fund and totaled about \$27,000.

DP 145 - Leased Cars for APS Field Staff - The legislature appropriated \$7,400 to lease four vehicles from the Department of Transportation during the 2003 biennium. These vehicles will be used by field staff who currently use their personal vehicles in excess of 10,000 miles per year. This request is anticipated to reduce personal car mileage expenses by \$16,640 and increase lease expenses by \$20,340 each year for a net increase of \$3,700 per year. This request is funded from general fund (97 percent) and federal Medicaid funds (3 percent).

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Sub Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 115 - Guardianship, APS Staff, Prevention and Education										
05	2.00	0	161,079	4,000	165,079	4.00	0	241,164	7,170	248,334
DP 407 - Title XX Funding Shift										
05	0.00	(300,000)	0	300,000	0	0.00	(300,000)	0	300,000	0
Total	2.00	(\$300,000)	\$161,079	\$304,000	\$165,079	4.00	(\$300,000)	\$241,164	\$307,170	\$248,334

New Proposals

DP 115 - Guardianship, APS Staff, Prevention and Education - The legislature appropriated \$0.4 million over the biennium, primarily from state special revenue from lien and estate proceeds, to fund guardianship services in the Aging program and new adult protective services staff. The legislature appropriated \$0.4 million and funded 4.0 FTE in the Adult Protective Services program and \$20,000 in contracted support for guardianship services in the Aging Program. The legislature reduced FTE by 2.5 from the original executive proposal.

DP 407 - Title XX Funding Shift - The legislature reallocated \$300,000 of the Title XX federal block grant from the Disabilities Services Division to the Adult Protective Services Program. An offsetting change was made to general fund. The funding reallocation was made since the Disability Services Division will be able to match the general fund with federal Medicaid funds.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	547.42	38.00	6.99	592.41	38.00	6.99	592.41	592.41
Personal Services	19,782,444	2,587,870	312,961	22,683,275	2,737,853	316,798	22,837,095	45,520,370
Operating Expenses	8,210,057	2,117,895	1,496,437	11,824,389	2,355,487	1,494,890	12,060,434	23,884,823
Equipment	181,417	0	0	181,417	0	0	181,417	362,834
Local Assistance	0	0	0	0	0	0	0	0
Grants	5,658,013	4,701,189	(904,934)	9,454,268	4,699,333	(1,234,894)	9,122,452	18,576,720
Benefits & Claims	61,401,623	21,987,883	6,316,102	89,705,608	25,591,717	9,822,465	96,815,805	186,521,413
Transfers	0	0	0	0	0	0	0	0
Debt Service	81,464	0	1,200	82,664	0	1,200	82,664	165,328
Total Costs	\$95,315,018	\$31,394,837	\$7,221,766	\$133,931,621	\$35,384,390	\$10,400,459	\$141,099,867	\$275,031,488
General Fund	46,684,220	5,359,603	(139,748)	51,904,075	6,778,034	378,994	53,841,248	105,745,323
State/Other Special	5,816,560	(2,302,242)	2,994,449	6,508,767	(2,190,469)	3,330,281	6,956,372	13,465,139
Federal Special	42,814,238	28,337,476	4,367,065	75,518,779	30,796,825	6,691,184	80,302,247	155,821,026
Total Funds	\$95,315,018	\$31,394,837	\$7,221,766	\$133,931,621	\$35,384,390	\$10,400,459	\$141,099,867	\$275,031,488

Program Description

The Addictive and Mental Disorders Division (AMDD) is responsible for providing alcohol and drug prevention services, treatment and aftercare services, and mental health treatment services. Alcohol and drug inpatient, outpatient, and prevention services are provided through contracts with community-based programs around the state. Direct inpatient services are also provided at the 76-bed Montana Chemical Dependency Center (MCDC) in Butte.

Community-based mental health services are delivered to eligible Medicaid and non-Medicaid individuals through a network of providers around the state. Non-Medicaid services are delivered through the Mental Health Services Plan (MHSP) and provide services to individuals earning up to 150 percent of the federal poverty level. Montana State Hospital (MSH) at Warm Springs (190 beds) and the Montana Mental Health Nursing Care Center (MMHNCC) at Lewistown (165 beds) provide institutional services to individuals with mental illness. The services at MSH are typically of a short duration while services for residents at the MMHNCC are considered to be long term.

Biennium Comparison

The Legislative Budget, Present Law Adjustment and New Proposal tables all measure changes in the 2003 biennium appropriation compared to fiscal 2000 base budget expenditures. However, a proportion of the present law adjustments for benefits and personal services costs in this program are related to incremental changes between fiscal 2000 actual costs and the fiscal 2001 appropriation for provider rate increases and growth in Medicaid caseloads, as well as the 2001 biennium supplemental appropriation approved by the legislature.

Supplemental appropriations are not included in HB 2 or recognized in all instances as ongoing costs of state programs. The supplemental appropriation for AMDD was related to mental health services cost over-runs and although DPHHS made some service reductions and changes, those reductions did not fully offset ongoing costs in the Medicaid program and state hospital.

Table 38 compares the 2003 biennium appropriation to the actual expenditures and appropriation for the 2001 biennium with and without the supplemental appropriation. Table 38 does not include the 2003 biennium pay plan appropriation. The 2003 biennium appropriation is \$81 million higher than the 2001 biennium budget. However, when the supplemental appropriation for increased mental health services costs in fiscal 2001 is included, the biennial difference is reduced by more than half to \$37 million.

The 2003 biennium appropriation is \$81 million total funds, including \$16 million general fund, higher than the 2001 biennium expenditures and appropriations. Federal funds increase by \$76 million and state special revenue declines by \$11 million. General fund increases are related to Medicaid caseload growth, annualization of higher than budgeted population at the state hospital, and provider rate increases. Federal funds increase due to Medicaid caseload growth, the expansion of Medicaid services to include outpatient chemical dependency services, a Medicaid intergovernmental transfer program for chemical dependency services, and federal block grant funds for chemical dependency. Part of the federal increase and state special revenue decline is due to appropriating federal Medicaid reimbursements for state institution services in the federal fund type instead of state special revenue as expended by AMDD in the base budget. The institutional reimbursement change is partially offset by an increase in county state special revenue for a Medicaid intergovernmental transfer program for chemical dependency services.

Program Narrative

The 2003 biennium appropriation is \$84 million, including \$12 million general fund, higher than the fiscal 2000 base expenditure level. The increase is due largely to present law adjustments, which add \$67 million, while new proposals add \$18 million. The biennial amounts of the most significant adjustments are:

- \$49 million total funds, including \$6 million general fund, for Medicaid caseload growth, expansion of Medicaid services, provide chemical dependency services, and legislative direction to implement a Medicaid intergovernmental transfer program for county funded chemical dependency services
- \$10 million and 5.0 FTE for increases in federal block grants for chemical dependency services and needs assessment
- \$6 million total funds, including \$3,000 general fund, for annualization of 2001 biennium caseload increases and pharmacy inflation in the MHSP program
- \$5 million total funds, including \$1 million general fund and \$0.4 million state special revenue from the tobacco settlement trust interest income, for provider rate increases for mental health services
- \$4 million general fund, including 27.0 FTE, for annualization of the net cost increases due to cost over-runs for higher than budgeted populations at the state hospital during the 2001 biennium and to continue cost control measures for high end community mental health services instituted during the 2001 biennium
- \$2.4 million general fund and 2.0 FTE to develop community services and reduce the state hospital population
- \$2.1 million total funds, including \$2 million general fund, for annualization of pay plan and funding for overtime, holiday, and shift differential pay at the mental health and chemical dependency state institutions
- \$1.3 million general fund for basic in-home community services for children who are not eligible for the Children's Health Insurance Program but who are seriously emotionally disturbed with family incomes less than 150 percent of the federal poverty level (\$26,475 for a family of 4 in 2001)
- \$1 million, including \$0.4 million general fund and 4.0 FTE, to develop the proposed regional mental health system
- \$0.6 million total funds, including \$0.5 million general fund, for inflation in state institution pharmacy costs
- \$0.4 million total funds, including \$0.3 million general fund and 4.0 FTE, to determine eligibility for MHSP

Table 38
2001 Biennium Compared to 2003 Biennium*
Addictive and Mental Disorders Division

Budget Item/Funding	2001 Biennium	2003 Biennium	Change	Percent of Total
FTE**	551.42	592.41	40.99	
Personal Services	\$40,216,920	\$45,520,370	\$5,303,450	6.5%
Operating	14,380,363	23,884,823	9,504,460	11.7%
Equipment	332,273	362,834	30,561	0.0%
Grants	11,729,944	18,576,720	6,846,776	8.5%
Benefits/Claims	127,168,958	186,521,413	59,352,455	73.3%
Debt Service	191,386	165,328	(26,058)	0.0%
Total Costs	<u>\$194,019,844</u>	<u>\$275,031,488</u>	<u>\$81,011,644</u>	100.0%
General Fund	\$89,251,888	\$105,745,323	\$16,493,435	20.4%
State Special	24,520,243	13,465,139	(11,055,104)	-13.6%
Federal Funds	<u>80,247,713</u>	<u>155,821,026</u>	<u>75,573,313</u>	<u>93.3%</u>
Total Funds	<u>\$194,019,844</u>	<u>\$275,031,488</u>	<u>\$81,011,644</u>	100.0%
Percent Increase			42%	
Total With Supplemental***				
HB 2 Total	\$194,019,844	\$275,031,488	\$81,011,644	
Supplemental General Fd	11,399,341	0	(11,399,341)	
Supplemental Fed Fd	<u>32,549,140</u>	<u>0</u>	<u>(32,549,140)</u>	
Total With Supplemental	<u>\$237,968,325</u>	<u>\$275,031,488</u>	<u>\$37,063,163</u>	
Percent Increase			16%	

*The pay plan appropriation for the 2003 biennium is not included.

**2001 biennium FTE is the number funded for fiscal 2001.

- \$0.1 million general fund and 1.0 FTE to implement and provide training for law enforcement and other persons on dealing with persons who are mentally ill
- \$0.5 million reduction in general fund for vacancy savings and a reduction of 1.01 FTE that had been vacant over seven months

The legislature also approved three significant funding switches that did not alter program expenditures. Two of the funding switches reduced general fund appropriations. The funding switches are:

- A reduction of \$6.6 million state special revenue and an offsetting increase in federal Medicaid revenue to correctly account for reimbursements of Medicaid eligible expenditures at the state mental health institutions
- A reduction of \$4 million general fund and a like increase in state special revenue from the Medicaid intergovernmental transfer program for county funded nursing homes
- A reduction of \$1.3 million general fund and an offsetting increase in state special revenue alcohol tax to provide services to persons who are chemically dependent and who have a serious and disabling mental illness

Table 39
Addictive and Mental Disorders Division Funding Summary

Fund Source	Fiscal 2000 Actual	Legislative Appropriation Fiscal 2002	Fiscal 2003	Percent of Total
General Fund	\$46,684,220	\$51,904,075	\$53,841,248	38.2%
Percent of Total	49.0%	38.8%	38.2%	
State Special Revenue				
Earmarked Alcohol Funds	\$2,452,905	\$3,332,739	\$3,588,765	2.5%
County Revenue - Intergovern. Trans.	0	2,356,155	\$2,365,564	1.7%
Managed Care Rev. MMHNCC	2,734,476	350,000	\$380,000	0.3%
Drug Rebate Collections	0	265,000	\$305,497	0.2%
Tobacco Interest Constitutional Trust	0	150,209	\$261,736	0.2%
MSH Canteen	41,209	41,209	\$41,209	0.0%
MMHNCC Donations	5,957	5,957	\$5,957	0.0%
MSH Donations	4,045	4,045	\$4,045	0.0%
Conference Donations	1,280	1,280	\$1,280	0.0%
Managed Care Rev. - MSH	552,126	0	\$0	0.0%
Indirect/Cost Allocation Funds	<u>24,562</u>	<u>2,173</u>	<u>\$2,319</u>	<u>0.0%</u>
Subtotal State Special Revenue	<u>\$5,816,560</u>	<u>\$6,508,767</u>	<u>\$6,956,372</u>	<u>4.9%</u>
Percent of Total	6.1%	4.9%	4.9%	
Federal Funds				
Medicaid Benefits	\$35,770,440	\$ 55,758,735	\$ 60,416,383	42.8%
Substance Abuse Block Grant	4,528,512	6,256,505	6,256,543	4.4%
Medicaid Administration	1,018,049	5,587,486	5,647,186	4.0%
ADAD Needs ASM Study	0	3,594,483	3,594,483	2.5%
CHIP Grant	0	2,614,536	2,678,822	1.9%
Mental Health Block Grant	871,537	1,213,398	1,213,398	0.9%
Mental Health - Homeless	306,034	306,034	306,034	0.2%
Misc. Mental Health Funds	126,946	0	0	0.0%
Indirect/Cost Allocation Funds	192,720	187,602	189,398	<u>0.1%</u>
Subtotal Federal Funds	<u>\$42,814,238</u>	<u>\$75,518,779</u>	<u>\$ 80,302,247</u>	<u>56.9%</u>
Percent of Total	44.9%	56.4%	56.9%	
Total Funds	<u>\$95,315,018</u>	<u>\$ 133,931,621</u>	<u>\$ 141,099,867</u>	<u>100%</u>
Increase Above Base		40.5%	48.0%	
Annual Rate of Change from 2000 Base		18.5%	14.0%	

Funding

Table 39 shows division funding for the base budget compared to the 2003 biennium appropriation. General fund declines from 49 percent of total fiscal 2000 expenditures to about 38 percent in fiscal 2003. The reduction is due in part to replacing \$2 million general fund each year with county funds state special revenue from the Medicaid intergovernmental transfer program for county nursing homes administered by the Senior and Long-Term Care Division.

General fund pays most of the state match for mental health Medicaid services and administration, adult services provided by MHSP and the state match for CHIP federal grant funds for children's MHSP services, the majority of state institution costs, a share of division administrative costs, and a small portion of Medicaid chemical dependency services.

Alcohol taxes are the most significant state special revenue source and fund the state match for Medicaid chemical dependency services, a share of MCDC costs, a share of costs to treat persons who are mentally ill and chemically dependent, and chemical dependency services provided by state approved programs to persons with incomes above the Medicaid eligibility standard, but less than 200 percent of the federal poverty level (\$35,300 for a

family of four in 2001). The legislature directed AMDD to implement a Medicaid intergovernmental transfer program for chemical dependency services and approved the executive request for an intergovernmental transfer program for mental health services, appropriating county funds state special revenue to support the nonfederal share of costs. State special revenue for support of the nursing care center and state hospital decline from base budget expenditures since Medicaid institutional reimbursements were appropriated in the federal special revenue fund type as required by statute. The remaining \$350,000 supports a Medicaid pharmacy rebate program for the nursing care center. Drug rebate collections are anticipated payments from drug manufacturers that chose to participate in the rebate program for the state MHSP program. Interest income from the constitutional tobacco settlement trust fund pays a share of the state match for

Medicaid provider rate increases. Indirect cost allocation funds are assessments from state special revenue funds that support administrative costs. Remaining state special revenue sources support institutions and mental health conference costs.

Federal funds rise as a percent of AMDD appropriations from 45 percent of base budget expenditures to 57 percent of the fiscal 2003 appropriation. Medicaid program expansions account for the majority of the increase and federal Medicaid funds are the single largest funding source supporting 47 percent of the fiscal 2003 AMDD appropriation when service and administrative costs are combined. Three federal block grants for chemical dependency services and needs assessment comprise 7 percent of the total division appropriation. Federal CHIP funds pay the match for children's mental health services. Two federal block grants support community services for persons with mental illness and some services for the homeless mentally ill. Indirect funds are assessments from federal funding sources to support shared administrative costs.

Alcohol Tax Revenue and Disbursements

Table 40 shows the revenue and disbursements from the alcohol tax from fiscal 2000 actual expenditures through fiscal 2003 estimates and appropriations. The department receives an allocation of the liquor license tax, which accounts for the most significant share of tax proceeds, as well as a share of wine and beer taxes. A small amount of revenue is due to cost recovery at MCDC. Revenues are expected to grow by about 5 percent per year through the 2003 biennium.

The largest appropriation made from the account is for operation of MCDC. The amount declines from the 2001 biennium because an increasing share of the MCDC is funded by the federal chemical dependency block grant and the alcohol funds that formerly supported MCDC are appropriated for the state Medicaid match for the expansion of Medicaid to cover chemical dependency services.

Disbursements from the account should fully expend the revenues because the balance remaining after the legislature makes appropriations from the account is statutorily appropriated for distribution to counties for purposes pertaining to the problems of alcoholism (Section 53-24-206(3)(b) and (c), MCA). The legislature accepted the executive recommendation to spend about \$1.3 million of alcohol tax proceeds to fund services in the 2003 biennium for persons who are chemically dependent and mentally ill. The legislature passed SB 264 to allow the expenditure of funds and also amended statute to require that DPHHS distribute at least \$1 million to counties and that no more than \$1.3 million of alcohol tax funds be expended to support mental health services during a biennium. The provision sunsets July 1, 2003.

DPHHS plans to spend about \$500,000 more alcohol tax than was appropriated by the legislature in fiscal 2001 to: 1) offset \$162,236 of general fund appropriated for indigent youth alcohol treatment; 2) increase funding for mental health

Table 40
Earmarked Alcohol Tax Revenue and Expenditures
Fiscal 2000 Actuals Through Fiscal 2003 Appropriations

Revenue/Expenditures Fund Balance	Fiscal 2000	Fiscal 2001*	Legislative Appropriations Fiscal 2002* Fiscal 2003*		Percent of Total
Beginning Balance**	\$245,201	\$738,720	(\$0)	(\$0)	
Revenues					
Liquor License	\$2,986,407	\$3,134,000	\$3,297,000	\$3,487,000	67.8%
Beer Tax	840,281	875,972	909,291	949,215	18.5%
Wine Tax	547,706	571,330	596,750	623,410	12.1%
Cost Recovery for MCDC	74,150	76,755	79,360	81,965	1.6%
Total Revenue	\$4,448,544	\$4,658,057	\$4,882,401	\$5,141,590	100.0%
Annual Percent Change		4.7%	4.8%	5.3%	
Total Funds Available	\$4,693,745	\$5,396,777	\$4,882,400	\$5,141,590	
Disbursements					
Chemical Dependency Cntr	\$2,395,331	\$2,490,488	\$1,940,478	\$1,652,331	32.1%
Medicaid Services/Admin.	0	1,376	768,049	1,098,093	21.4%
Distribution to Counties***	999,999	1,398,179	1,051,117	1,046,685	20.4%
Mental Health Services	0	735,000	526,116	747,181	14.5%
Justice - Equipment	303,202	300,912	303,205	303,205	5.9%
Indigent Youth Treatment	0	164,236	0	0	0.0%
CD Operations	57,634	112,880	96,635	96,925	1.9%
Cost Allocated Admin.	88,587	82,481	91,245	91,245	1.8%
Quality Assrnce. - Licensure	57,227	67,614	57,834	58,204	1.1%
Pine Hills	25,523	25,523	25,523	25,523	0.5%
Commerce - POL Board	27,522	18,088	22,199	22,199	0.4%
Total Disbursements	\$3,955,025	\$5,396,777	\$4,882,401	\$5,141,591	100.0%
Ending Fund Balance	\$738,720	(\$0)	(\$0)	(\$0)	

*Estimated revenues are based on Revenue and Taxation Committee action and 2003 biennium costs are based on the legislative appropriation. Fiscal 2001 expenditures are based on DPHHS budget status report 3/31/01 and the appropriated amount for other agencies. Potential pay plan increases are not included.

**Fiscal 2000 beginning balance includes \$245,201 due to cancellation of a fiscal 1999 accrual.

***Beginning in fiscal 2001 distribution to counties is estimated to be total funds after all other appropriations are expended.

services by \$235,000; and 3) fund administration of chemical dependency with \$112,880. If DPHHS had not increased expenditures from alcohol taxes, the transfer to counties would have been increased by those amounts. Additionally, the supplemental appropriation for fiscal 2001 was understated by about that amount as well, since use of alcohol taxes will offset general fund costs.

Other state agency costs that are appropriated from the DPHHS allocation of alcohol taxes include:

- Administrative functions within DPHHS for operation of the chemical dependency programs including licensure of local programs
- Equipment, such as breathalyzers, for use by highway patrolmen in the Department of Justice
- Treatment programs at Pine Hills Youth Correctional Facility managed by the Department of Corrections
- The Professional and Occupational Licensing Board for certification and licensure of chemical dependency counselors in the Department of Commerce

2003 Biennium Appropriation by Major Function and Service

Table 41 shows the total division budget request and major components of the division appropriation compared to base budget expenditures. The table also shows the share of the total division budget for each major component and the compounded annual rates of change from fiscal 2000 to fiscal 2003 for the total budget and each major component.

Table 41
Addictive and Mental Disorders Division Base Expenditures and 2003 Biennium Appropriation

Budget Component Function/Benefit	Fiscal 2000 Base Budget		Fiscal 2002 Legislative Appropriation		Fiscal 2003 Legislative Appropriation		Percent of Total
	General Fund	SSR	General Fund	SSR	General Fund	SSR	
Total Division							
Division Admin.	\$570,746	\$24,562	\$569,779	\$24,823	\$575,477	\$25,066	\$796,976 0.6%
Mental Health*	45,907,217	3,339,105	51,173,367	3,453,930	53,117,696	3,855,469	123,229,201 87.3%
Addiction Services	206,257	2,452,893	160,929	3,030,014	148,075	3,075,837	17,073,690 12.1%
Total Division	\$46,684,220	\$5,816,560	\$51,904,075	\$6,508,767	\$53,841,248	\$6,956,372	\$141,099,867 100.0%
Percent of Total	49.0%	6.1%	38.8%	4.9%	38.2%	4.9%	56.9%
Annual Rate of Change			5.4%	5.8%	4.9%	6.1%	23.3%
							14.0%
State Institution Costs							
State Hospital	\$15,827,699	\$597,380	\$19,019,875	\$120,254	\$19,190,731	\$120,254	\$19,863,111 14.1%
Nursing Care Center	3,247,585	2,740,445	3,432,058	355,957	3,478,501	385,957	6,598,946 4.7%
Chemical Dependency Center	0	2,395,259	0	1,916,132	0	1,624,623	2,696,907 1.9%
Subtotal Institutions	\$19,075,284	\$5,733,084	\$22,451,933	\$2,397,343	\$22,669,232	\$2,130,834	\$29,158,964 20.7%
Percent of Total Division	40.9%	98.6%	43.3%	36.8%	42.1%	30.6%	5.4%
Annual Rate of Change from Base			8.5%	-35.4%	5.9%	-28.1%	5.5%
Grants							
Mental Health Services							
Community Grants	\$936,425	\$0	\$936,425	\$0	\$936,425	\$0	\$936,425 0.7%
PATH/Homeless Svcs	99,103	0	99,103	0	99,103	0	405,137 0.3%
Group Home Start Up	75,000	0	0	0	0	0	0 0.0%
Addiction Services							
Community Services	0	0	0	0	0	0	4,638,407 3.3%
Local Needs Assmt.	0	0	0	0	0	0	3,142,483 2.2%
Indigent Youth	162,610	0	0	0	0	0	0 0.0%
Subtotal Grants	\$1,273,138	\$0	\$1,035,528	\$0	\$1,035,528	\$0	\$9,122,452 6.5%
Percent of Total Division	2.7%	0.0%	2.0%	0.0%	1.9%	0.0%	6.5%
Annual Rate of Change from Base			-9.8%	0.0%	-6.7%	0.0%	17.3%
Benefits							
Medicaid							
Mental Health*	\$14,960,489	\$0	\$16,082,466	\$2,256,364	\$17,098,575	\$2,370,300	\$75,908,334 53.8%
Addiction Services	0	0	161,549	989,469	148,697	1,323,036	5,454,905 3.9%
Mental Health Svcs Plan*	9,799,136	0	9,906,117	720,075	10,582,624	977,678	15,452,522 11.0%
Adjustment	0	0	0	0	0	0	44 0.0%
Subtotal Benefits	\$24,759,625	\$0	\$26,150,132	\$3,965,908	\$27,829,896	\$4,671,014	\$96,815,805 68.6%
Percent of Total Division	53.0%	0.0%	50.4%	60.9%	51.7%	67.1%	80.1%
Annual Rate of Change from Base			2.8%	27.5%	4.0%	20.6%	16.4%

*The \$4 million general fund supplemental appropriation request for fiscal 2000 mental health services costs is not included in these totals.

The total division appropriation grows 14 percent annually from the fiscal 2000 base budget through the fiscal 2003. The growth is driven by increases in benefit and grant expenditures. Federal spending increases the most, rising at an annual compounded rate of 23 percent. Growth in federal appropriations is related to increases in overall Medicaid costs, the increased federal match rate for Medicaid costs, and higher federal block grants.

State institutions costs account for about 21 percent of the fiscal 2003 budget request, and support for the mental health institutions constitutes 42 percent of the total general fund appropriated for the division in fiscal 2003.

Grants are 6.5 percent of the total division budget and slightly less than 2 percent of the fiscal 2003 general fund appropriation. The two largest grants are for community services and local needs assessment for addiction services and prevention. Both are funded by federal block grants and together comprise 5 percent of the total division budget request in fiscal 2003. A small general fund grant of \$162,610 funded residential treatment services for low-income youth in the base budget year but is transferred in the 2003 biennium to pay part of the state Medicaid match for chemical dependency services.

Mental health community grants include contracts for crisis services and drop-in centers and are fully funded from the general fund. The PATH federal block grant supports outreach services to identify homeless mentally ill people and help them find housing. PATH services are funded from the block grant and about \$100,000 general fund. A \$75,000 grant from the general fund funded start-up of an 8-bed group home for adults in fiscal 2000. The grant is not continued in the 2003 biennium.

Benefits expenditures account for 69 percent of the total and 52 percent of the general fund fiscal 2003 appropriation. Benefits are the most significant division expenditure and also one of the fastest growing expenditures. Benefit appropriations increase at an annual compounded rate of 16 percent between fiscal 2000 and fiscal 2003. Grant expenditures increase about 17 percent annually over the same time period.

Medicaid mental health services are the most significant benefit expenditure, accounting for 54 percent of the fiscal 2003 appropriation. The division initiated an expansion of Medicaid services to fund chemical dependency services in fiscal 2001 that is expected to reach about \$4.5 million total funds by fiscal 2003. Medicaid services are funded about 27 percent state funds and 73 percent federal funds in the 2003 biennium.

MHSP is the second largest benefit with 11 percent of the total division appropriation in fiscal 2003. MHSP services are funded from the general fund and the federal mental health block grant in the base year budget. In the 2003 biennium, \$7 million in federal CHIP matching funds support mental health services for children who are eligible for CHIP and MHSP. The federal CHIP offset as well as other reductions and changes to children's services result in the negligible growth in the general fund cost of MHSP - \$0.8 million over the 2003 biennium compared to a total increase of \$8.6 million.

Mental Health Services 2001 Supplemental Appropriation and Impacts to 2003 Biennium

The legislature accepted several executive initiatives due to cost over-runs in mental health services during the 2001 biennium that impacted services and general fund appropriations in the 2003 biennium, in addition to approving an \$11.4 million general fund supplemental appropriation. While all mental health services contributed to the cost over-run, the most significant funding and programmatic changes and service reductions were made to MHSP, particularly children's services. The executive made some changes in early fiscal 2001 in advance of the legislative session to control costs including:

- Capping enrollment in the MHSP program
- Expanding the CHIP program to allow federal matching funds to offset the general fund cost of MHSP services for children eligible for both MHSP and CHIP
- Reducing rates for partial hospitalization services for children
- Instituting a utilization review program to identify and access appropriate lower cost, community services in lieu of higher end more costly institutional or out-of-state services

Initially these changes were believed to be sufficient to fully or partially offset a projected \$4 million general fund cost over-run in fiscal 2000. However, revised estimates in December 2000 indicated a 2001 biennium shortfall of \$15.9 million general fund for mental health services, with a net supplemental request for \$11.9 million after consideration of several general fund cost saving measures and funding switches. However, shortly after the legislature convened, the shortfall for mental health services was revised to \$17.8 million general fund, with a net supplemental request of \$11.4 million general fund as approved in HB 3.

Table 42 shows the executive estimate of general fund cost over-runs in mental health services, the offsetting reductions and fund switches, and the net general fund supplemental request approved by the legislature. Funding switches of nearly \$3 million provided the greatest general fund reduction, followed closely by savings in other program general fund appropriations and institutional revenue increases in Medicare reimbursement at the state hospital.

Expansion of CHIP to fund MSHP services for children eligible for both CHIP and MSHP was the most significant cost offset comprising 35 percent of the general fund savings. Reductions in children's services generated an estimated general fund cost savings of \$0.8 million in fiscal 2001. Although one of the proposed changes impacted MHSP adult services (elimination of partial hospitalization as a covered service), the executive did not reduce fiscal 2001 or 2003 biennium program cost estimates for adults to reflect that change. The program reductions implemented March 1, 2001 that were recommended by the executive and accepted by the legislature include:

- Elimination of partial hospitalization services
- Elimination of targeted case management and care coordination for children
- Reduction in services for children eligible for MHSP but not CHIP

Refinancing MHSP general fund expenditures for children who are not eligible for CHIP with TANF general fund maintenance of effort offset \$318,634 and executive caseload revisions lowered the supplemental cost by \$71,590. Travel and hiring restrictions implemented after the legislature convened saved another \$228,391.

2003 Biennium MHSP General Fund Offsets and Cost Reductions

The fiscal 2001 changes made to MHSP had a more significant impact to general fund costs in the 2003 biennium and the legislature accepted one additional executive recommendation to use \$1.3 million in state special alcohol tax funds to provide services to adults eligible for MHSP who also are chemically dependent. The legislature passed SB 264 to allow use of alcohol taxes for mental health services. Table 43 shows the general fund cost reductions and offsets for MHSP, which totaled \$11 million over the 2003 biennium.

Table 42
Mental Health Services General Fund Cost Over-Run, Offsets, Fund Switches
and Net Supplemental Appropriation - 2001 Biennium

Service and Cost Over-run/ Cost Saving Measure/Net Increase	Fiscal 2000	Fiscal 2001	2001 Biennium Total	Percent of Total
<u>Cost Over-run*</u>				
Medicaid Services	\$4,309,515	\$3,356,179	\$7,665,694	42.9%
MHSP Services	766,033	4,413,553	5,179,586	29.0%
State Hospital Services	1,999,399	2,695,056	4,694,455	26.3%
MMHNCC/Administration	(21,749)	338,737	316,988	1.8%
Subtotal General Fund Cost Over-run	<u>\$7,053,198</u>	<u>\$10,803,525</u>	<u>\$17,856,723</u>	<u>100.0%</u>
<u>General Fund Offsets/Cost Reductions</u>				
<i>Mental Health Services Related Reductions/Offsets</i>				
Use CHIP Federal Matching Funds			(\$2,285,181)	35.4%
Eliminate Services for Children not CHIP Eligible**			(761,801)	11.8%
Alcohol Tax Revenue to Offset General Fund			(500,000)	7.7%
TANF Maintenance of Effort - Children's Basic Services**			(318,634)	4.9%
Mental Health Block Grant Increase			(138,750)	2.1%
Caseload Estimate Revision			(71,590)	1.1%
Eliminate Case Management - Children			(33,781)	0.5%
Eliminate Partial Hospitalization			(19,212)	0.3%
<i>General Actions</i>				
Other Programs with Savings/Institutional Revenues			(2,100,042)	32.5%
Travel/Hiring Restrictions			(228,391)	3.5%
Subtotal Offsets/Cost Reductions			<u>(\$6,457,382)</u>	<u>100.0%</u>
General Fund Reduction as Percent of Total Cost Over-run			-36.2%	
Net General Fund Supplemental for Mental Health Services			<u>\$11,399,341</u>	

*The cost over-run estimates where those provided by the executive to the legislature 2/12/01 and 3/5/01.

**A program to continue in-home and community services for 125 children was instituted and funded with general fund from the TANF block grant maintenance of effort.

Table 43
MHSP General Fund Cost Offsets and Funding Switches - 2003 Biennium

Funding Switches/Cost Reductions	Fiscal 2002	Fiscal 2003	Total 2003 Biennium	Percent of Total
Use CHIP Federal Matching Funds	\$2,614,536	\$2,678,822	\$5,293,358	48.6%
Service Reductions:*	2,086,215	1,858,149	3,944,364	36.2%
No Services Unless CHIP Eligible - Children**				
Eliminate Case Management - Children				
Eliminate Partial Hospitalization				
Alcohol Tax Funds Offset	530,075	747,181	1,277,256	11.7%
Mental Health Block Grant Increase	185,000	185,000	370,000	3.4%
Sub Total Offsets/Cost Reductions	\$5,415,826	\$5,469,152	\$10,884,978	100.0%

*The cost of service reductions was partially offset by other MHSP cost increases such as pharmacy inflation for adults. The legislature appropriated the net cost savings due to children's services reductions for community services and incentives to reduce the adult state hospital population.

**A program to continue in-home community services for 125 children was instituted and funded with general fund from the TANF block grant maintenance of effort.

The two most significant changes (\$9 million over the 2003 biennium and 85 percent of the total) are expansion of CHIP to cover mental health services for children eligible for both MHSP and CHIP and the reductions in children's MHSP services. The legislature diverted the general fund savings from the service reductions to fund 6.0 new FTE and planning for the new regional mental health system and development of community services and incentives to reduce the adult population at the state hospital.

Separate State Program for Children's Basic Mental Health Services

The legislature also reallocated \$1.3 million of the general fund that supports the state maintenance of effort for the TANF block

grant for a new program to provide basic mental health services for children. The department was authorized to use TANF block grant funds to support the expenditures previously paid by the diverted general fund.

Basic mental health services include community and in-home services and will be limited to 125 children annually. In order to be eligible, the child must meet the following eligibility criteria for the MHSP program: 1) be diagnosed with a serious emotional disturbance; and 2) have family income less than 150 percent of the federal poverty level. Services such as inpatient hospitalization and therapeutic group home are not covered.

MHSP Appropriation and Cost per Recipient

The legislature accepted the executive estimate of MHSP and Children's Basic Services costs. Table 44 shows the estimated average monthly number of persons eligible and number of recipients, average monthly cost for each recipient, the total annual cost by type of eligibility and the total annual cost. Medicaid funded services are not included in the table. State administered programs with enrollment limits are included.

Table 44
Monthly Number of Persons Eligible, Recipients, and Monthly Cost and Total Annual Cost
State Funded Community Mental Health Services*

Service by Age of Person	Fiscal 2002					Fiscal 2003				
	Monthly Number Eligibles	Monthly Number Recipients	Monthly Cost/Recip.	Annual Cost/Recip.	Percent of Total	Monthly Number Eligibles	Monthly Number Recipients	Monthly Cost/Recip.	Annual Cost/Recip.	Percent of Total
Mental Health Services Plan										
Children	320	256	\$1,038.40	\$3,189,965	22.6%	320	256	\$1,038.40	\$3,189,965	21.7%
Adults	3212	2248	380.64	10,268,145	72.8%	3212	2248	401.74	10,837,338	73.7%
Children's Basic	125	100	539.96	647,952	4.6%	125	100	559.94	671,928	4.6%
Mental Health Services										
Total Annual Cost				\$14,106,061					\$14,699,231	

*This table does not include information on the Medicaid program. This table includes information on state administered mental health services programs that are subject to enrollment limits. Information in this table is based on the executive estimate of benefit costs.

The average number of persons eligible and receiving services remains constant throughout the 2003 biennium. MHSP children's services are estimated to cost the most each month - \$1,038. The monthly cost for MHSP children's services do not change because the services are part of CHIP and cost is subject to bid by insurance companies. The average monthly cost of an adult MHSP recipient and of a child receiving basic mental health services rise between fiscal 2002 and 2003 due to provider rate increases and inflation in the cost of drugs. AMDD will manage the program by adjusting the number of persons eligible for service as cost projections and the number of monthly recipients changes.

SB 466 clarified mental health commitment laws with respect to treatment in a community facility, program or course of treatment. The bill also requires the department to create a funding category for persons in community commitments within existing mental health service program eligibility parameters and funding.

Legislative Finance Committee Interim Study

The Legislative Finance Committee (LFC) studied public mental health services during the 2001 biennium interim as directed by HJR 35. As part of its study recommendations, the LFC recommended six bills and requested that the Health and Human Services Joint Appropriation Subcommittee review several issues. Each of the bills recommended by the LFC passed. They are:

- HJR 1, an interim study of mental health services by a joint interim subcommittee of the LFC, Legislative Audit Committee, Children, Families, Health, and Human Services, Law, Justice, and Indian Affairs, and State Administration, Public Retirement Systems, and Veterans' Affairs interim committees to monitor the continued development of appropriate and effective community services to serve persons in the least restrictive environment, the cost-effective provision of services, and the use of best practices, including the evolution of more sophisticated case management, issues of commitment to community facilities, programs, and treatment and involuntary medication identified in the 1999-2000 interim process, and issues of mental health services with respect to corrections and veterans' affairs
- SJR 2 to support the executive proposal adopted by the legislature to fund training for law enforcement and other persons who deal with persons with a serious and disabling mental illness
- SB 82 to revise laws on public mental health system and managed care
- SB 107 to allow teleconferencing in all mental health proceedings at the agreement of the respondent or patient
- SB 108 to define Advanced Practice Registered Nurses (APRN) (masters-level) with a clinical specialty in psychiatric mental health nursing as "professional persons" for the purposes of the mental health laws, which allows them to testify in court proceedings and to order medication in a mental health facility
- SB 135 revises mental health ombudsman laws

Each issue that the LFC requested be reviewed and the subcommittee action with respect to it are listed:

- Issue - Ensure that MHSP financial eligibility for children eligible for both MHSP and CHIP be established at the same level as financial eligibility for CHIP
- Action - Accepted the executive recommendation to eliminate MSHP services for children not eligible for CHIP, so issue is moot
- Issue - Review updated estimates to expand MHSP financial eligibility and cost sharing options initiated during the HJR 35 study
- Action - Undertook review and determined that cost over-runs in mental health services and resultant service reductions precluded expansion
- Issue - Review the DPHHS calculation of the average cost of providing mental health services by system component and age of recipient, and the average cost of a high-end user of mental health services by system component and age of recipient
- Action - DPHHS provided the information requested and subcommittee reviewed such costs
- Issue - Closely evaluate the appropriation request for MSH, and particularly the estimate of the average daily population (ADP) for the facility
- Action - Reviewed DPHHS estimates and appropriated additional funds that could be used to fund services to help reduce the state hospital population or support higher estimated populations at the state hospital

- Issue - Review guidelines and implementation by DPHHS of providing federal Medicaid matching funds to local government for the cost of transporting Medicaid eligible persons to medical facilities, other than MSH
- Action – DPHHS provided information on Medicaid reimbursement, but did not provide a specific implementation plan or date
- Issue - Review the DPHHS case management model that was to be developed in response to a request from the LFC
- Action – DPHHS provided testimony to subcommittee on types of case management models, but did not elaborate on a specific one that it would use; legislature accepted executive recommendation to eliminate case management as a covered service for children

Mental Health Consultants to AMDD

The 1999 legislature passed SB 534 in order to guide development of the mental health system after cancellation of the statewide managed care contract in late fiscal 1999. As part of that effort, the legislature enacted a requirement that DPHHS contract with consultants. Section 53-21-702, MCA requires DPHHS to:

"contract with an independent professional consulting firm that is knowledgeable and experienced in developing managed mental health care systems. The department shall require, as part of the contract, that the consulting firm make regular reports to the Legislative Finance Committee and any other appropriate legislative interim committee. Reports must be made at least every 6 months and must include information about the development and implementation of the new mental health managed care system."

The subcommittee reviewed the consultant's final recommendations. The subcommittee requested that DPHHS provide a management plan on how it will develop and implement a new regional mental health system, which it reviewed. The subcommittee also appropriated \$1 million over the biennium and funded 4.0 FTE to ensure that DPHHS had adequate resources to undertake development of a regional system.

AMDD State Institution Appropriation and Average Daily Population

Table 45 shows the base budget, 2003 biennium appropriation, actual and estimated average daily population, and actual and estimated daily cost for each state institution managed by AMDD. The 2003 biennium appropriations for all institutions rise due to inflation in prescription costs, overtime, shift differential, and holiday pay.

The state hospital is the largest institution administered by AMDD, providing services for an estimated 165 persons each day at an estimated daily cost of \$330 per day (prior to allocation of pay plan) in fiscal 2003. The average daily and annual cost of state hospital services are almost three times greater than either the nursing care center or MCDC. The higher cost at the state hospital is due to higher staffing ratios, with a staffing ratio of slightly more than 1.0 FTE for each person receiving care.

The state hospital costs shown in Table 45 include the supplemental appropriation (and staff) in fiscal 2000 and an appropriation of \$2.4 million general fund over the 2003 biennium. The legislature approved the executive request for the extra \$2.4 million funded from lower than anticipated MHSP costs for several uses: higher than estimated state hospital population; community services and incentives to lower the state hospital population; and activities to help reduce mental health services costs and redirect persons to lower cost services when appropriate. The \$2.4 million is included in the state hospital appropriation despite its potential use in other program areas, because the legislature was concerned that the average daily population may be greater than 165. During appropriation subcommittee hearings the state hospital population ranged from 170 to 190 persons.

The nursing care center 2003 biennium appropriation anticipates an average daily population of 145 and an average daily cost of \$125 in fiscal 2003. MCDC is the smallest institution administered by AMDD with an estimated daily population of 61 in fiscal 2003 with an average daily costs of \$121.

The following tables show all present law adjustments and new proposals approved by the legislature for AMDD. Each present law adjustment and new proposal will be discussed in one of the following sub-program narratives: Mental Health Services; Addiction Treatment and Prevention Services; and Division Administration.

Table 45
Addictive and Mental Disorders Division
Actual and Appropriated State Institutional Costs

Institution	Fiscal 2000 Base	Fiscal 2002 Appropriation	Fiscal 2003 Appropriation
<u>Montana State Hospital*</u>			
FTE*	360.80	361.80	361.80
Total Cost/Appropriation*	\$18,425,079	\$19,692,255	\$19,863,111
Average Daily Population	158	165	165
Annual Costs Per Person	\$116,614	\$119,347	\$120,382
Annual Days of Care	57,670	60,225	60,225
Average Cost Per Day of Care	\$319	\$327	\$330
Percent Increase		2.3%	0.9%
<u>Montana Mental Health Nursing Care Center</u>			
FTE	144.27	144.26	144.26
Total Cost/Appropriation	\$5,988,030	\$6,522,503	\$6,598,946
Average Daily Population	144	145	145
Annual Costs Per Person	\$41,584	\$44,983	\$45,510
Annual Days of Care	52,560	52,925	52,925
Average Cost Per Day of Care	\$114	\$123	\$125
Percent Increase		8.2%	1.2%
<u>Montana Chemical Dependency Center</u>			
FTE	44.35	44.35	44.35
Total Cost/Appropriation	\$2,395,259	\$2,658,456	\$2,696,907
Average Daily Population	50	61	61
Annual Costs Per Person	\$47,905	\$43,581	\$44,212
Annual Days of Care	18,250	22,265	22,265
Average Cost Per Day of Care	\$131	\$119	\$121
Percent Increase		-9.0%	1.4%
*Fiscal 2000 MSH costs include the supplemental appropriation and modified FTE that were hired in fiscal 2000. Fiscal 2002/2003 costs include 2.0 FTE and \$2.4 million general fund that can be used to pay MSH costs, enhance community services, and fund staff or utilization review activities that reduce the need for inpatient and institutional care.			

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					1,003,453					1,121,118
Vacancy Savings					(563,999)					(567,529)
Inflation/Deflation					79,592					60,161
Fixed Costs					64,406					70,332
Total Statewide Present Law Adjustments					\$583,452	\$684,082				
DP 1 - MSH Funding for Ongoing Costs	27.00	997,945	0	0	997,945	27.00	1,001,566	0	0	1,001,566
DP 2 - FY00-FY01 Screening Contract	0.00	143	0	429	572	0.00	143	0	429	572
DP 3 - Indigent Youth Alcohol Treatment	0.00	1,626	0	0	1,626	0.00	1,626	0	0	1,626
DP 26 - Mental Health Block Grant Increase	0.00	(185,000)	0	341,861	156,861	0.00	(185,000)	0	341,861	156,861
DP 28 - MCDC Holiday, OT, Differential Pay	0.00	0	48,636	0	48,636	0.00	0	50,095	0	50,095
DP 29 – MCDC Food and Rent Inflation FY02 & FY03	0.00	0	37,281	0	37,281	0.00	0	62,366	0	62,366
DP 38 - Frontier Rate Annualization	0.00	0	106,155	285,273	391,428	0.00	0	108,564	293,824	402,388
DP 50 - Caseload/Utilization Increase - MHSP Benefits	0.00	(573,782)	0	2,144,363	1,570,581	0.00	(207,765)	0	2,177,068	1,969,303
DP 51 - MHSP Executive Caseload Estimates	0.00	490,560	0	440,152	930,712	0.00	663,907	0	410,317	1,074,224
DP 52 - Caseload/Utilization Increase - Medicaid	0.00	2,943,157	0	15,728,518	18,671,675	0.00	3,565,498	0	18,116,320	21,681,818
DP 74 - MMHNCC Holiday, OT, Differential Pay	0.00	271,028	0	0	271,028	0.00	279,159	0	0	279,159
DP 76 - MSH Holiday, OT, Differential Pay	0.00	733,374	0	0	733,374	0.00	755,375	0	0	755,375
DP 82 - Family & Consumer Services Training	0.00	21,875	0	13,125	35,000	0.00	21,875	0	13,125	35,000
DP 86 - Fund MHSP Pharmacy Rebates	0.00	0	265,000	0	265,000	0.00	0	305,497	0	305,497
DP 199 – MHSP Eligibility Staffing	6.00	144,459	0	48,153	192,612	6.00	144,953	0	48,317	193,270
DP 414 - Federal Authority for Support of Institutions	0.00	0	(3,286,614)	3,286,614	0	0.00	0	(3,286,614)	3,286,614	0
DP 696 - Data Network Fixed Cost Reduction	0.00	(43)	0	0	(43)	0.00	(43)	0	0	(43)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(6,410)	0	0	(6,410)	0.00	(6,432)	0	0	(6,432)
DP 699 - Vacancy Savings at 4 Percent	0.00	(253,505)	(22,879)	(8,802)	(285,186)	0.00	(254,598)	(22,978)	(8,844)	(286,420)
DP 988 - Annualization of Utilization Review & Management	0.00	214,324	0	841,063	1,055,387	0.00	246,991	0	898,511	1,145,502
DP 992 - Discontinue OJJDP Combating Underage Drinking	0.00	0	0	(126,946)	(126,946)	0.00	0	0	(126,946)	(126,946)
DP 993 - MMHNCC Medicaid Patient Pharmacy Program	0.00	0	350,000	0	350,000	0.00	0	380,000	0	380,000
DP 994 - Substance Abuse Prevention & Treatment Block Grant	0.00	0	0	1,633,706	1,633,706	0.00	0	0	1,631,850	1,631,850
DP 995 - Continue Community Incentive Grant	5.00	0	0	3,649,490	3,649,490	5.00	0	0	3,650,702	3,650,702
DP 997 - MCDC Pharmacy Cost Inflation	0.00	0	22,829	0	22,829	0.00	0	25,608	0	25,608
DP 998 - MMHNCC Pharmacy Cost Inflation	0.00	43,125	0	0	43,125	0.00	60,839	0	0	60,839
DP 999 - MSH Pharmacy Cost Inflation	0.00	171,102	0	0	171,102	0.00	256,528	0	0	256,528
Total Other Present Law Adjustments										
	38.00	\$5,013,978	(\$2,479,592)	\$28,276,999	\$30,811,385	38.00	\$6,344,622	(\$2,377,462)	\$30,733,148	\$34,700,308
Grand Total All Present Law Adjustments					\$31,394,837	\$35,384,390				

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals		Fiscal 2002				Fiscal 2003				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 117 - Refinance Chemical Dependency Program										
33	1.00	(4,978)	25,725	2,444,192	2,464,939	1.00	(22,469)	25,809	3,307,177	3,310,517
DP 130 - Provider Rate Increases - Medicaid										
33	0.00	91,457	150,209	649,432	891,098	0.00	472,749	261,736	1,987,848	2,722,333
DP 131 - Psychiatrist Access Rate Increase										
33	0.00	119,782	0	234,800	354,582	0.00	137,777	0	271,050	408,827
DP 136 - Provider Rate Increase - Screening Contract										
33	0.00	202	0	604	806	0.00	609	0	1,828	2,437
DP 137 - Provider Rate Increase - MHSP										
33	0.00	149,907	0	30,021	179,928	0.00	474,661	0	91,437	566,098
DP 138 - Provider Rate Increase - Indigent Youth										
33	0.00	2,291	0	0	2,291	0.00	6,930	0	0	6,930
DP 193 - Law Enforcement & Criminal Justice										
33	1.00	42,219	0	25,332	67,551	1.00	42,324	0	25,395	67,719
DP 408 - State Special Alcohol Revenue Funding Switch										
33	0.00	(530,075)	530,075	0	0	0.00	(747,181)	747,181	0	0
DP 411 - Basic Mental Health Services for Children										
33	0.00	647,952	0	0	647,952	0.00	671,928	0	0	671,928
DP 413 - Olmstead Planning/Implementation Grant										
33	0.00	0	0	20,000	20,000	0.00	0	0	20,000	20,000
DP 415 - Intergovernmental Transfer - Chemical Dependency										
33	0.00	0	250,000	671,829	921,829	0.00	0	257,000	695,557	952,557
DP 417 - Funding Shift - Intergovernmental Transfer										
33	0.00	(2,000,000)	2,000,000	0	0	0.00	(2,000,000)	2,000,000	0	0
DP 420 - SB 107 -- Teleconferencing During Mental Health Proceedings										
33	0.00	7,800	0	0	7,800	0.00	8,190	0	0	8,190
DP 689 - FTE Reduction										
33	(1.01)	(20,135)	0	0	(20,135)	(1.01)	(20,200)	0	0	(20,200)
DP 888 - Change Funding for CD Position										
33	0.00	(51,254)	38,440	12,814	0	0.00	(51,407)	38,555	12,852	0
DP 989 - Regional Mental Health System Planning										
33	4.00	208,531	0	278,041	486,572	4.00	208,530	0	278,040	486,570
DP 996 - Community Incentives/State Hospital Reduction										
33	2.00	1,196,553	0	0	1,196,553	2.00	1,196,553	0	0	1,196,553
Total	6.99	(\$139,748)	\$2,994,449	\$4,367,065	\$7,221,766	6.99	\$378,994	\$3,330,281	\$6,691,184	\$10,400,459

New Proposals

New proposals are appropriations for new or expanded services above the cost of providing the level of service authorized by the previous legislature. Changes in funding for services are usually considered new proposals as well.

MENTAL HEALTH

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	485.07	33.00	5.99	524.06	33.00	5.99	524.06	524.06
Personal Services	17,531,571	2,164,455	265,910	19,961,936	2,296,330	269,579	20,097,480	40,059,416
Operating Expenses	6,661,039	1,867,647	1,492,437	10,021,123	2,074,969	1,490,890	10,226,898	20,248,021
Equipment	151,247	0	0	151,247	0	0	151,247	302,494
Local Assistance	0	0	0	0	0	0	0	0
Grants	1,416,562	(75,000)	0	1,341,562	(75,000)	0	1,341,562	2,683,124
Benefits & Claims	61,401,535	21,986,257	2,073,560	85,461,352	25,590,091	4,369,186	91,360,812	176,822,164
Transfers	0	0	0	0	0	0	0	0
Debt Service	50,402	0	800	51,202	0	800	51,202	102,404
Total Costs	\$87,212,356	\$25,943,359	\$3,832,707	\$116,988,422	\$29,886,390	\$6,130,455	\$123,229,201	\$240,217,623
General Fund	45,907,217	5,351,957	(85,807)	51,173,367	6,764,539	445,940	53,117,696	104,291,063
State/Other Special	3,339,105	(2,565,459)	2,680,284	3,453,930	(2,492,553)	3,008,917	3,855,469	7,309,399
Federal Special	37,966,034	23,156,861	1,238,230	62,361,125	25,614,404	2,675,598	66,256,036	128,617,161
Total Funds	\$87,212,356	\$25,943,359	\$3,832,707	\$116,988,422	\$29,886,390	\$6,130,455	\$123,229,201	\$240,217,623

The Mental Health Services function includes state institutional and community mental health services for adults and residential and community mental health services for children. MSH and MMHNCC are state institutions funded from general fund and Medicaid funds. Matching federal Medicaid funds are available for services provided by an institution for mental disease to persons under age 22 and over age 65. Community services are funded from federal Medicaid and CHIP funds and general fund. The MHSP program includes services for adults with a serious and disabling mental illness, and children eligible for CHIP who are seriously emotionally disturbed and who are in families with incomes below 150 percent of the federal poverty level.

The legislature accepted the executive plan to mitigate the 2001 biennium supplemental appropriation in mental health services and made several changes to the Executive Budget, including service reductions in MHSP and limits on eligibility for children.

Present Law Adjustments										
Fiscal 2002						Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				714,497					816,067	
Vacancy Savings				(494,388)					(497,435)	
Inflation/Deflation				78,455					57,324	
Fixed Costs				59,049					64,247	
Total Statewide Present Law Adjustments				\$357,613					\$440,203	
DP 1 - MSH Funding for Ongoing Costs	27.00	997,945	0	0	997,945	27.00	1,001,566	0	0	1,001,566
DP 2 - FY00-FY01 Screening Contract	0.00	143	0	429	572	0.00	143	0	429	572
DP 26 - Mental Health Block Grant Increase	0.00	(185,000)	0	341,861	156,861	0.00	(185,000)	0	341,861	156,861
DP 38 - Frontier Rate Annualization	0.00	0	106,155	285,273	391,428	0.00	0	108,564	293,824	402,388
DP 50 - Caseload/Utilization Increase - MHSP Benefits	0.00	(573,782)	0	2,144,363	1,570,581	0.00	(207,765)	0	2,177,068	1,969,303
DP 51 - MHSP Executive Caseload Estimates	0.00	490,560	0	440,152	930,712	0.00	663,907	0	410,317	1,074,224
DP 52 - Caseload/Utilization Increase - Medicaid	0.00	2,943,157	0	15,728,518	18,671,675	0.00	3,565,498	0	18,116,320	21,681,818
DP 74 - MMHNCC Holiday, OT, Differential Pay	0.00	271,028	0	0	271,028	0.00	279,159	0	0	279,159
DP 76 - MSH Holiday, OT, Differential Pay	0.00	733,374	0	0	733,374	0.00	755,375	0	0	755,375
DP 82 - Family & Consumer Services Training	0.00	21,875	0	13,125	35,000	0.00	21,875	0	13,125	35,000
DP 86 - Fund MHSP Pharmacy Rebates	0.00	0	265,000	0	265,000	0.00	0	305,497	0	305,497
DP 199 - MHSP Eligibility Staffing	6.00	144,459	0	48,153	192,612	6.00	144,953	0	48,317	193,270
DP 414 - Federal Authority for Support of Institutions	0.00	0	(3,286,614)	3,286,614	0	0.00	0	(3,286,614)	3,286,614	0
DP 696 - Data Network Fixed Cost Reduction	0.00	(43)	0	0	(43)	0.00	(43)	0	0	(43)
DP 699 - Vacancy Savings at 4 Percent	0.00	(247,570)	0	(3,043)	(250,613)	0.00	(248,619)	0	(3,053)	(251,672)
DP 988 - Annualization of Utilization Review & Management	0.00	214,324	0	841,063	1,055,387	0.00	246,991	0	898,511	1,145,502
DP 993 - MMHNCC Medicaid Patient Pharmacy Program	0.00	0	350,000	0	350,000	0.00	0	380,000	0	380,000
DP 998 - MMHNCC Pharmacy Cost Inflation	0.00	43,125	0	0	43,125	0.00	60,839	0	0	60,839
DP 999 - MSH Pharmacy Cost Inflation	0.00	171,102	0	0	171,102	0.00	256,528	0	0	256,528
Total Other Present Law Adjustments										
	33.00	\$5,024,697	(\$2,565,459)	\$23,126,508	\$25,585,746	33.00	\$6,355,407	(\$2,492,553)	\$25,583,333	\$29,446,187
Grand Total All Present Law Adjustments					\$25,943,359					\$29,886,390

Present Law Adjustments

DP 1 - MSH Funding for Ongoing Costs - The legislature appropriated \$2.0 million general fund and funding for 27 FTE to continue Montana State Hospital services at the fiscal 2000 level. The 2001 biennium budget was based on an average daily population of 135, compared to the actual population of 158 during fiscal 2000. The legislature approved the 2001 biennium MSH Executive Budget request. This proposal will make permanent 27 FTE currently in modified positions. Adding 27 FTE will support DPHHS estimated average daily population for MSH of 165.

The legislature also approved a new proposal for \$2.4 million general fund over the biennium to be used to support MSH costs and community services for seriously mentally ill adults (see New Proposal 996). The proposal was part of the executive plan to mitigate the 2001 biennium supplemental appropriation.

DP 2 - FY00-FY01 Screening Contract - The legislature appropriated \$1,144, including \$286 general fund, over the biennium for the 1 percent rate increase granted for fiscal 2001 for the Preadmission Screening and Annual Resident Review (PASARR) program providers. PASARR screenings are utilized to determine if nursing facility applicants or residents have diagnoses or indications of mental illness. The program has a federal match of 75 percent.

DP 26 - Mental Health Block Grant Increase - The legislature added \$0.7 federal funds over the biennium due to an increase in the federal mental health block grant. Part of the increase offsets \$0.4 million general fund over the biennium.

Fiscal 2000 expenditures were \$871,537 and the new grant award is \$1.2 million. In previous years, the Mental Health Block Grant was used for community mental health services for children and youth with serious emotional disturbance or severe and disabling mental illness. Since the executive limited services and eligibility for children who are not CHIP eligible and funded ongoing basic services from the state maintenance of effort for the federal TANF block grant, the block grant will most likely be used to fund services for adults.

The state must sustain a maintenance of effort to continue to receive the full mental health block grant. There is a dollar for dollar reduction in the block grant equal to reductions in maintenance of effort. The maintenance of effort is based on the average of the two most recent years of state expenditures for all activities mental health services and administrative costs except those for state institutions and inpatient residential psychiatric care for children. State match for Medicaid and CHIP services can be counted in the maintenance of effort, but general fund counted toward TANF maintenance of effort cannot.

DP 38 - Frontier Rate Annualization - The legislature authorized the department to fund a Medicaid intergovernmental transfer program to make one-time payments for certain community-based mental health services delivered in counties classified by the U.S. Bureau of the Census as "frontier" counties (counties with a population density of fewer than six persons per square mile). The frontier premium ranges between 20 percent and 25 percent, depending on the service. The funding for the frontier rate for MHSP is included in the estimated monthly cost for those persons eligible to receive MHSP services. This item includes only the Medicaid reimbursement for frontier mental health services.

DP 50 - Caseload/Utilization Increase - MHSP Benefits - The legislature approved an increase of \$3.5 million total funds for MHSP, which includes a reduction of \$0.8 million general fund over the biennium. The general fund reduction is due to: 1) increases in the mental health block grant and appropriation of alcohol state special revenue to offset general fund; 2) elimination of out-of-home services for children who are not also eligible for CHIP; 3) elimination of partial hospitalization for all recipients; 4) elimination of targeted case management for children; and 4) basing program appropriations on a monthly cost per recipient and capping enrollment in the program. Elimination of out-of-home services for children who are not also eligible for CHIP, service reductions, and appropriation of alcohol state special revenue were elements of the executive proposal to mitigate the 2001 biennium supplemental appropriation in mental health services.

The appropriation for MHSP benefits is estimated to provide sufficient funding for 3,212 adults and 248 children each month of the 2003 biennium. DPHHS will manage the program by changing the number of slots for adults as either more or fewer children become eligible for MHSP through CHIP.

DP 51 - MHSP Executive Caseload Estimates - The legislature added \$2.0 million total funds, including \$1.1 million general fund over the biennium to fund the revised executive request for MHSP benefits. Initially, the legislature accepted the legislative estimates for MHSP caseloads, which were lower.

The legislature also added language requiring that at least \$480,000 of the general fund in this item must be spent for grants to one or more local children's mental health provider coalitions to prevent placement of emotionally disturbed children in out-of-home services.

DP 52 - Caseload/Utilization Increase - Medicaid - The legislature approved \$41 million total funds, including \$6.6 million general fund, over the biennium for Medicaid caseload and growth in service utilization. The caseload increases

include annualization of caseload growth in the 2001 biennium due to the supplemental appropriation. A new proposal, DP 417, offsets \$4 million general fund budgeted for Medicaid services with state special revenue. The state special revenue is county funds transferred back to the state through a Medicaid intergovernmental transfer program for county funded nursing homes.

DP 74 - MMHNCC Holiday, OT, Differential Pay - The legislature added \$550,187 general fund over the biennium for holidays worked, overtime, and differential shift pay for the MMHNCC staff. Although these costs are routinely incurred in state institutions, the costs are removed from the adjusted base budget. The costs increase 3 percent between fiscal 2002 and fiscal 2003.

DP 76 - MSH Holiday, OT, Differential Pay - The legislature appropriated \$1.5 million general fund over the biennium for holidays worked, overtime, and differential pay at MSH. These personnel costs are removed from actual expenditures when base budgets are created for legislative consideration. The costs increase 3 percent between fiscal 2002 and fiscal 2003.

DP 82 - Family & Consumer Services Training - The legislature added \$35,000 each year of the biennium, including \$21,875 general fund, over the biennium to support a continuing program of education and training of mental health consumers, their families, and of mental health providers. AMDD has committed, on the recommendation of the Mental Health Oversight Advisory Council (MHOAC), to support this program.

DP 86 - Fund MHSP Pharmacy Rebates - The legislature approved \$0.6 million state special revenue for the biennium to fund pharmacy rebates for the MHSP program. Some drug manufacturers have agreed to pay a rebate to the department related to the cost of prescriptions purchased through MHSP.

DP 199 - MHSP Eligibility Staffing - The legislature approved the executive request to fund 6.00 FTE and appropriated \$0.4 million over the biennium, including \$0.3 million general fund. The FTE determine eligibility for MHSP.

DP 414 - Federal Authority for Support of Institutions - The legislature shifted funds between state special revenue and federal fund types. Statute requires that Medicaid reimbursement for the mental health state institutions be expended in the federal fund type, while actual expenditures and the appropriation request included Medicaid funds in the state special revenue fund.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

DP 988 - Annualization of Utilization Review - The legislature appropriated \$2.2 million, including \$0.5 million general fund, to annualize the cost of an expansion of the Medicaid and MHSP utilization review and management contract in fiscal 2001. A new contractor was selected in October 2000. The new contract expands the services by requiring the contractor to assist the department in managing the high-end, more costly benefit services in the mental health Medicaid program and MHSP.

DP 993 - MMHNCC Medicaid Patient Pharmacy Program - The legislature added \$730,000 state special revenue over the biennium to change the process of billing for prescription drugs for the Medicaid residents at MMHNCC. The MMHNCC serves Medicaid and non-Medicaid residents. The cost of prescriptions for the non-Medicaid residents is in the MMHNCC base budget, while the cost of prescriptions for Medicaid residents is not in the base budget as the previous pharmacy contractor billed the Medicaid program directly. Authority was provided to create a state special revenue fund

to deposit the collections of Medicaid pharmacy claims for residents. The MMHNCC will use these funds to pay drug costs for Medicaid residents.

DP 998 - MMHNCC Pharmacy Cost Inflation - The legislature added \$103,964 general fund over the biennium for increased MMHNCC pharmacy costs. The pharmacy management contract requires a 25 percent increase in the management fee associated with the contract in fiscal 2001 and 4.5 percent each year thereafter. The contract changes also require an increase of 8.5 percent in prescription drug costs beginning in fiscal 2001.

DP 999 - MSH Pharmacy Cost Inflation - The legislature added \$427,630 general fund over the biennium for increased pharmacy costs at MSH. The pharmacy management contract requires a 25 percent increase in the management fee associated with the contract in fiscal 2001 and 4.5 percent each year thereafter. The contract changes also require an increase of 8.5 percent in prescription drug costs beginning in fiscal 2001.

New Proposals		Fiscal 2002				Fiscal 2003				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 130 - Provider Rate Increases - Medicaid										
01	0.00	91,457	150,209	649,432	891,098	0.00	472,749	261,736	1,987,848	2,722,333
DP 131 - Psychiatrist Access Rate Increase										
01	0.00	119,782	0	234,800	354,582	0.00	137,777	0	271,050	408,827
DP 136 - Provider Rate Increase - Screening Contract										
01	0.00	202	0	604	806	0.00	609	0	1,828	2,437
DP 137 - Provider Rate Increase - MHSP										
01	0.00	149,907	0	30,021	179,928	0.00	474,661	0	91,437	566,098
DP 193 - Law Enforcement & Criminal Justice										
01	1.00	42,219	0	25,332	67,551	1.00	42,324	0	25,395	67,719
DP 408 - State Special Alcohol Revenue Funding Switch										
01	0.00	(530,075)	530,075	0	0	0.00	(747,181)	747,181	0	0
DP 411 - Basic Mental Health Services for Children										
01	0.00	647,952	0	0	647,952	0.00	671,928	0	0	671,928
DP 413 - Olmstead Planning/Implementation Grant										
01	0.00	0	0	20,000	20,000	0.00	0	0	20,000	20,000
DP 417 - Funding Shift - Intergovernmental Transfer										
01	0.00	(2,000,000)	2,000,000	0	0	0.00	(2,000,000)	2,000,000	0	0
DP 420 - SB 107 -- Teleconferencing During Mental Health Proceedings										
01	0.00	7,800	0	0	7,800	0.00	8,190	0	0	8,190
DP 689 - FTE Reduction										
01	(1.01)	(20,135)	0	0	(20,135)	(1.01)	(20,200)	0	0	(20,200)
DP 989 - Regional Mental Health System Planning										
01	4.00	208,531	0	278,041	486,572	4.00	208,530	0	278,040	486,570
DP 996 - Community Incentives/State Hospital Reduction										
01	2.00	1,196,553	0	0	1,196,553	2.00	1,196,553	0	0	1,196,553
Total	5.99	(\$85,807)	\$2,680,284	\$1,238,230	\$3,832,707	5.99	\$445,940	\$3,008,917	\$2,675,598	\$6,130,455

New Proposals

DP 130 - Provider Rate Increases - Medicaid - The legislature appropriated \$3.6 million, including \$0.6 million general fund and \$0.4 million in interest income from the new constitutional trust fund for tobacco settlement proceeds over the biennium for a 1.4 percent provider rate increase in fiscal 2002 and 2.8 percent increase in fiscal 2003 for Medicaid mental health service providers.

DP 131 - Psychiatrist Access Rate Increase - The legislature appropriated \$0.8 million total funds, including \$0.3 million general fund over the biennium to continue a rate increase for psychiatric services implemented by the department in fiscal 2001. This appropriation funds the portion of the rate increase for the Medicaid program. The psychiatric rate increase for MHSP is rolled into the present law adjustment.

DP 136 - Provider Rate Increase - Screening Contract - The legislature added \$3,243 total funds, including \$811 general fund over the biennium for a rate increase for providers who screen nursing home residents for mental illness. The rate increase is 1.4 percent in fiscal 2002 and 2.8 percent in fiscal 2003.

DP 137 - Provider Rate Increase - MHSP - The legislature appropriated \$0.8 million total funds, including \$0.6 million general fund for a provider rate increase for MHSP providers. The rate increase is 1.4 percent in fiscal 2002 and 2.8 percent in fiscal 2003.

DP 193 - Law Enforcement & Criminal Justice - The legislature appropriated \$135,270, including \$84,543 general fund, and funding for 1.0 FTE over the biennium to support development of, and make available to local law enforcement personnel, training to help them to appropriately respond to emergency situations involving severe mental disturbance, chemical intoxication, and/or mental illness. The training would be designed to help them recognize persons suffering from a serious mental illness or chemical dependency problem and to obtain appropriate assistance in working with such persons in a crises situation. Officers currently receive little to no training, with the exception of 2 hours of training at the Law Enforcement Academy. Training would be developed cooperatively with representatives of law enforcement and would be provided through contracted personnel.

The legislature restricted use of the appropriation.

DP 408 - State Special Alcohol Revenue Funding - The legislature accepted the executive proposal to use \$1.3 million state special revenue alcohol tax funds to offset general fund in the MHSP program. The funds will be used to contract with: 1) MCDC for two chemical dependency counselors to work at MSH; and 2) community service providers for all chemical dependency and mental health services, except prescriptions, for eligible adults.

The legislature passed SB 264 to allow state special alcohol tax revenue to be used for mental health services.

DP 411 - Basic Mental Health Services for Children - The legislature accepted the executive proposal to: 1) eliminate out-of-home mental health services for low-income children who are not also eligible for CHIP; and 2) continue a limited array of community and in-home services for 100 children who are determined to be seriously emotionally disturbed and whose families have incomes under 150 percent of the federal poverty level. The legislature funded the program with \$1.3 million of general fund from the state maintenance of effort TANF block grant. General fund was reallocated from the Human and Community Services Division and federal TANF funds were appropriated to support the costs previously funded by general fund. The legislature directed the department to create a separate state program using state general fund maintenance of effort. The program reductions were made as a part of the executive plan to mitigate part of the supplemental appropriation in the 2001 biennium.

The legislature initially restricted the appropriation to fund mental health services only. The legislature changed the language to allow any unexpended funds to be transferred to the Human and Community Services Division to be expended to fulfill the attainment of the maintenance of effort related to the TANF block grant.

DP 413 - Olmstead Planning/Implementation Grant - The legislature added \$40,000 federal funds over the biennium to complete a plan to comply with the U.S. Supreme Court Olmstead decision and begin plan implementation. The legislature added language to HB 2 requiring that the department contract with the Consensus Council to perform the functions associated with the grant.

DP 417 - Funding Shift - Intergovernmental Transfer - The legislature reduced general fund by \$2 million each year and appropriated \$2 million state special revenue each year in the Medicaid mental health services program. The \$2 million in state special revenue are funds returned to the state by counties participating in the Medicaid intergovernmental transfer program for county supported nursing homes. The nursing home intergovernmental transfer program is explained in more detail in the agency overview and in DP 142 in the Senior and Long-Term Care Division narrative.

DP 420 - SB 107 - Teleconferencing During Mental Health Proceedings - The legislature appropriated \$15,990 general fund to pay video teleconferencing costs of persons at the Montana State Hospital who wish to participate in court hearings via video teleconferencing. The funds were added due to passage and approval of SB 107 allowing mental health court proceedings to be conducted via video teleconference.

DP 689 - FTE Reduction - The legislature directed that 1.01 FTE could not be included in the base budget funding for the 2005 biennium budget request since the FTE had been vacant 7 months or longer. The legislature reduced general fund by \$40,335 over the biennium as part of the FTE reduction.

DP 989 - Regional Mental Health System Planning - The legislature approved \$1 million total funds, including \$0.4 million general fund, over the biennium and funding for 4.0 FTE to begin planning and implementation of a new regional mental health system. The funding will also help manage the current mental health system during the 2003 biennium. This recommendation was part of the executive request to mitigate the 2001 biennium supplemental appropriation.

DP 996 - Community Incentives/State Hospital Reduction - The legislature accepted the executive recommendation to appropriate \$2.4 million general fund, including funds for 2.0 FTE. The funds will be used to support MSH and for community services for persons eligible for services at the state hospital. The original Executive Budget request was based on a daily population of 165 persons at the state hospital while population in December 2000 averaged 177 and recent population has spiked over 189.

The legislature added language allowing funds to be spent for services at the state hospital, utilization and review activities, and staff and services in the community. The appropriation is a biennial appropriation.

The total appropriation for DP 996 was reduced by \$40,000 general fund each year due to approval of the department plan to reallocate \$250,000 general fund from various divisions to the Child Support Enforcement Division. The general fund shift implements the department plan to partially reinstate a reduction in FTE in the Child Support Enforcement Division that was approved by the legislature.

Language

Items [Health Policy and Services Division], [Senior and Long-Term Care Division], and [Addictive and Mental Disorders Division] include appropriations of state special revenue for provider rate increases funded from the interest income on the tobacco settlement trust fund provided for in Article XII, Section 4, of the Montana Constitution. If the interest income on the tobacco settlement trust fund provided for in Article XII, Section 4, of the Montana Constitution is insufficient to fully fund the state special revenue appropriations in items [Health Policy and Services Division], [Senior and Long-Term Care Division], and [Addictive and Mental Disorders Division], the legislature intends that the department find alternative funding sources to fully fund the provider rate increases. Alternative sources may include but are not limited to enhanced Medicaid intergovernmental transfer programs and transfers of general fund money from other appropriations.

The appropriation in item [Addictive and Mental Disorders Division] is contingent on the department developing a management plan to: (1) ensure that the department staff tracking the census of residential treatment of children in Montana communicate in-state service availability to appropriate staff; and (2) negotiate or issue requests for proposals in compliance with 52-2-306 and 52-2-307 for placement of children with in-state providers in lieu of placing the child in out-of-state treatment. The department shall submit the plan to the Children, Families, Health, and Human Services Interim Committee and the Legislative Finance Committee by July 1, 2001.

Item [Addictive and Mental Disorders Division] includes \$559,560 in general fund money in fiscal 2002 and \$713,907 in fiscal 2003 that must be used to fund mental health services for persons eligible for the Mental Health Services Plan. At least \$480,000 of these general fund appropriations must be used for grants to one or more local children's mental health provider coalitions to prevent placement of emotionally disturbed children in out-of-home services.

Funds in [Community Incentives/State Hospital (restricted/biennial/OTO)] must be used to fund services at Montana State Hospital and for staff and utilization review activities to reduce the use of institutional services. Any funds not spent for staff and utilization review activities must be used to fund community services, which will reduce the need for inpatient and institutional care.

Funds in [Basic Mental Health Services for Children] must be used to fund mental health services for low-income children. Funds in item [Basic Mental Health Services for Children] may not be used for any other purpose or transferred to any other program.

Funds in item [Olmstead Planning/Implementation] must be used to contract with the Montana Consensus Council.

Funds in item [Frontier Rate Increases] must be used to pay one-time increases in reimbursement for services provided in frontier counties by county-funded mental health Medicaid service providers.

Funds in item [Law Enforcement/Judicial Training – Mental Illness] must be used for:

- 1) activities related to training and educating law enforcement personnel, judicial personnel, and persons instrumental to the commitment process in recognizing serious mental illness and appropriate approaches to and treatment for persons who exhibit symptoms of mental illness; and
- 2) development of screening tools to help identify whether a person may be mentally ill.

ADDICTION TREATMENT & PREVENTION SERVICES

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	49.35	5.00	1.00	55.35	5.00	1.00	55.35	55.35
Personal Services	1,679,357	422,949	47,051	2,149,357	435,556	47,219	2,162,132	4,311,489
Operating Expenses	1,371,325	249,619	4,000	1,624,944	277,625	4,000	1,652,950	3,277,894
Equipment	10,662	0	0	10,662	0	0	10,662	21,324
Grants	4,241,451	4,776,189	(904,934)	8,112,706	4,774,333	(1,234,894)	7,780,890	15,893,596
Benefits & Claims	0	1,626	4,242,542	4,244,168	1,626	5,453,279	5,454,905	9,699,073
Debt Service	11,751	0	400	12,151	0	400	12,151	24,302
Total Costs	\$7,314,546	\$5,450,383	\$3,389,059	\$16,153,988	\$5,489,140	\$4,270,004	\$17,073,690	\$33,227,678
General Fund	206,257	8,613	(53,941)	160,929	8,764	(66,946)	148,075	309,004
State/Other Special	2,452,893	262,956	314,165	3,030,014	301,580	321,364	3,075,837	6,105,851
Federal Special	4,655,396	5,178,814	3,128,835	12,963,045	5,178,796	4,015,586	13,849,778	26,812,823
Total Funds	\$7,314,546	\$5,450,383	\$3,389,059	\$16,153,988	\$5,489,140	\$4,270,004	\$17,073,690	\$33,227,678

Addiction treatment and prevention services include the Montana Chemical Dependency Center (MCDC), community services, and funding for state approved chemical dependency programs. The most significant budget appropriation change is expansion of Medicaid funding for community, outpatient, and residential chemical dependency services. The division began implementing the expansion in fiscal 2001 and requested only the federal Medicaid matching funds in its budget request. The state match comes from existing expenditures.

Except for alcohol tax funds, there are virtually no state funds in the alcohol and drug abuse treatment program. The legislature appropriated state special revenue from county funds for a Medicaid intergovernmental transfer program. The other significant funding sources for chemical dependency programs are federal block grants, which total about \$9.2 million annually, and federal Medicaid funds.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				264,657						275,021
Vacancy Savings				(53,117)						(53,428)
Inflation/Deflation				(545)						(403)
Fixed Costs				0						0
Total Statewide Present Law Adjustments				\$210,995						\$221,190
DP 3 - Indigent Youth Alcohol Treatment										
0.00	1,626	0	0	1,626	0.00	1,626	0	0	1,626	
DP 28 - MCDC Holiday, OT, Differential Pay										
0.00	0	48,636	0	48,636	0.00	0	50,095	0	50,095	
DP 29 - MCDC Food and Rent Inflation FY02 & FY03										
0.00	0	37,281	0	37,281	0.00	0	62,366	0	62,366	
DP 699 - Vacancy Savings at 4 Percent										
0.00	(620)	(22,650)	(3,964)	(27,234)	0.00	(622)	(22,747)	(3,982)	(27,351)	
DP 992 - Discontinue OJJDP Combating Underage Drinking										
0.00	0	0	(126,946)	(126,946)	0.00	0	0	(126,946)	(126,946)	
DP 994 - Substance Abuse Prevention and Treatment Block Grant										
0.00	0	0	1,633,706	1,633,706	0.00	0	0	1,631,850	1,631,850	
DP 995 - Continue Community Incentive Grant										
5.00	0	0	3,649,490	3,649,490	5.00	0	0	3,650,702	3,650,702	
DP 997 - MCDC Pharmacy Cost Inflation										
0.00	0	22,829	0	22,829	0.00	0	25,608	0	25,608	
Total Other Present Law Adjustments										
5.00	\$1,006	\$86,096	\$5,152,286	\$5,239,388	5.00	\$1,004	\$115,322	\$5,151,624	\$5,267,950	
Grand Total All Present Law Adjustments				\$5,450,383						\$5,489,140

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 3 - Indigent Youth Alcohol Treatment - The legislature added \$3,252 general fund over the biennium to annualize the fiscal 2001 provider rate increase authorized by the 1999 legislature. Indigent youth alcohol treatment funds provide inpatient chemical dependency services to adolescents. The department will use these funds to match federal Medicaid funds for the expansion of Medicaid services to include outpatient chemical dependency services.

DP 28 - MCDC Holiday, OT, Differential Pay - The legislature approved \$98,731 state special revenue funding over the biennium for holiday worked pay, overtime pay, and differential pay at the Montana Chemical Dependency Center. The Center is staffed 24 hours a day every day of the year. Although these costs were incurred in fiscal 2000, they are removed from the base budget as a standard practice. Base budget expenditures were \$27,486.

DP 29 - MCDC Food and Rent Inflation FY02 & FY03 - The legislature added \$99,647 state special revenue funding over the biennium to fund the Montana Chemical Dependency Center contracted food and non-Department of Administration rent inflation increases. The center will continue to rent the building it currently occupies and the meals will be contracted from the adjoining retirement home. Contractual inflation is 3 percent for rent and 4 percent for meals per year.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

DP 992 - Discontinue OJJDP Combating Underage Drinking - The legislature removed \$253,892 federal funding over the biennium as the Office of Juvenile Justice and Delinquency Planning Combating Underage Drinking Grant was transferred to the Department of Justice.

DP 994 – Substance Abuse Prevention and Treatment Block Grant - The legislature approved \$3.3 million federal funds over the biennium for an increase in the Substance Abuse Prevention and Treatment (SAPT) block grant. The SAPT block grant supports community services for individuals needing alcohol and drug services. The block grant was increased to \$6.3 million effective fiscal 1999. This proposal requests the difference between SAPT block grant expenditures in fiscal 2000 and the new grant amount.

DP 995 - Continue Community Incentive Grant - The legislature approved the executive request to add \$7.3 million federal funds and funding for 5.0 FTE over the biennium to continue the State Incentive Grant program funded in the 2001 biennium. DPHHS received a \$9 million grant from the Substance Abuse and Mental Health Services Administration. The purpose of the grant is to provide funding and training to assist communities with alcohol prevention planning and programming. The legislature authorized the appropriation and funding for the FTE as a one-time-only appropriation.

DP 997 - MCDC Pharmacy Cost Inflation - The legislature added \$48,437 state special revenue over the biennium for increased pharmacy costs at Montana Chemical Dependency Center. The pharmacy management contract requires a 25 percent increase in the management fee associated with the contract in fiscal 2001 and 4.5 percent each year thereafter. The contract changes also require an increase of 8.5 percent in prescription drug costs beginning in fiscal 2001.

New Proposals		Fiscal 2002				Fiscal 2003				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 117 - Refinance Chemical Dependency Program										
02	1.00	(4,978)	25,725	2,444,192	2,464,939	1.00	(22,469)	25,809	3,307,177	3,310,517
DP 138 - Provider Rate Increase - Indigent Youth										
02	0.00	2,291	0	0	2,291	0.00	6,930	0	0	6,930
DP 415 - Intergovernmental Transfer - Chemical Dependency										
02	0.00	0	250,000	671,829	921,829	0.00	0	257,000	695,557	952,557
DP 888 - Change Funding for CD Position										
02	0.00	(51,254)	38,440	12,814	0	0.00	(51,407)	38,555	12,852	0
Total	1.00	(\$53,941)	\$314,165	\$3,128,835	\$3,389,059	1.00	(\$66,946)	\$321,364	\$4,015,586	\$4,270,004

New Proposals

DP 117 - Refinance Chemical Dependency Program - The legislature accepted the executive proposal to expand Medicaid services to include chemical dependency services and appropriated \$5.8 million and funded 1.0 FTE. DPHHS began implementation of the Medicaid program expansion in fiscal 2001, and scaled back the rate of the expansion in response to legislative direction.

The Medicaid expansion is funded by redirecting up to \$1 million of the federal chemical dependency block grant from contracts with community service providers to support operation of the MCDC. This funding change frees up earmarked alcohol tax previously used to support MCDC to be used as state match for Medicaid coverage of chemical dependency services.

DP 138 - Provider Rate Increase - Indigent Youth - The legislature appropriated \$9,221 general fund over the biennium for the Indigent Youth Alcohol Treatment program. Rate increases are 1.4 percent in fiscal 2002 and 2.8 percent in fiscal 2003.

DP 415 - Intergovernmental Transfer - Chemical Dependency - The legislature requested that the department propose a Medicaid intergovernmental transfer program for chemical dependency providers. Under this program, rates paid for Medicaid chemical dependency services provided by county funded and affiliated providers will be increased up to a certain limit if counties provide the nonfederal Medicaid matching funds. The legislature appropriated \$1.9 million total funds, including \$0.5 million county matching funds over the biennium.

DP 888 - Change Funding for CD Position - The legislature accepted the executive proposal to switch funding for a position in the chemical dependency program. The switch reduces general fund by \$102,661 over the biennium and increases alcohol state special revenue and federal funds by a like amount. This proposal was part of the executive plan to mitigate the 2001 biennium supplemental appropriation.

Language

Item [Addictive and Mental Disorders Division] is contingent on the department maintaining \$3,539,842 of federal block grant contracts to state-approved chemical dependency programs for treatment and rehabilitation each year of the 2003 biennium.

DIVISION ADMINISTRATION

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	13.00	0.00	0.00	13.00	0.00	0.00	13.00	13.00
Personal Services	571,516	466	0	571,982	5,967	0	577,483	1,149,465
Operating Expenses	177,693	629	0	178,322	2,893	0	180,586	358,908
Equipment	19,508	0	0	19,508	0	0	19,508	39,016
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	88	0	0	88	0	0	88	176
Debt Service	19,311	0	0	19,311	0	0	19,311	38,622
Total Costs	\$788,116	\$1,095	\$0	\$789,211	\$8,860	\$0	\$796,976	\$1,586,187
General Fund	570,746	(967)	0	569,779	4,731	0	575,477	1,145,256
State/Other Special	24,562	261	0	24,823	504	0	25,066	49,889
Federal Special	192,808	1,801	0	194,609	3,625	0	196,433	391,042
Total Funds	\$788,116	\$1,095	\$0	\$789,211	\$8,860	\$0	\$796,976	\$1,586,187

Division administration is responsible for operation and management of the division. The administrative function is cost allocated across division activities and is supported from a mix of general fund, alcohol state special revenue, and federal Medicaid and block grant funds.

Present Law Adjustments									
Fiscal 2002					Fiscal 2003				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				24,299					30,030
Vacancy Savings				(16,494)					(16,666)
Inflation/Deflation				1,682					3,240
Fixed Costs				5,357					6,085
Total Statewide Present Law Adjustments				\$14,844					\$22,689
DP 698 - Rent Reduction - Use of Capitol Land Grant Funds									
0.00	(6,410)	0	0	(6,410)	0.00	(6,432)	0	0	(6,432)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(5,315)	(229)	(1,795)	(7,339)	0.00	(5,357)	(231)	(1,809)	(7,397)
Total Other Present Law Adjustments									
0.00	(\$11,725)	(\$229)	(\$1,795)	(\$13,749)	0.00	(\$11,789)	(\$231)	(\$1,809)	(\$13,829)
Grand Total All Present Law Adjustments				\$1,095					\$8,860

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 698 - Rent Reduction - Use of Capitol Land Funds - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

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